

The Global Newspaper
Edited in Paris
Printed Simultaneously
in Paris, London, Zurich,
Hong Kong, Singapore,
The Hague and Marseille

WEATHER DATA APPEAR ON PAGE 16

No. 31,934

43/85

ZURICH, TUESDAY, OCTOBER 22, 1985

ESTABLISHED 1887

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

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Craxi Will Form New Government; Same Coalition Seen



Bettino Craxi

By Samuel Koo
The Associated Press

ROME — Bettino Craxi was asked to form a new government Monday, four days after he resigned as Italy's prime minister, and politicians here said they expected him to try to resurrect the same coalition that fell apart over the hijacking of the cruise ship Achille Lauro.

"I will immediately start work to resolve the political crisis, which does not lend itself to easy solutions," Mr. Craxi said after President Francesco Cossiga named him prime minister-designate.

Politicians said Mr. Craxi would try to form a government with the same four parties that joined his Socialist-led coalition: the Christian Democrats, Republicans, Social Democrats and Liberals. He has continued to serve as caretaker prime minister since his resignation.

Hopes for a solution to the latest of many government crises in post-war Italy boosted prices on the Milan Stock Exchange. Shares regained two-thirds of the 6 percent they lost after Mr. Craxi's resignation Thursday.

The success of Mr. Craxi's efforts appeared to depend largely on his talks with Defense Minister Giovanni Spadolini's Republican Party, which precipitated the collapse by pulling its three ministers out of the cabinet formed 26 months ago.

Mr. Craxi's previous government was the 44th in Italy since World War II and in another month would have been the longest-lived.

Political sources said that another five-party coalition headed by Mr. Craxi would be the most realistic way of obtaining a parliamentary majority and fending off attempts by the Communist Party to gain a foothold in the government. Italy's Communist Party is the largest in the West and the second most powerful political group in the country after the Christian Democrats.

All previous parties but the Republicans have said they would join a new Craxi government. The Republicans have set conditions that include closer consultation during times of crisis and clear definition of foreign policy, particularly toward the United States and the Middle East.

The Republicans left the government over its decision to release Mohammed Abbas, a Palestinian whom the United States has accused of planning the Oct. 7 hijacking of the Italian cruise liner. An Italian passenger, Leon Klinghoffer, 69, of New York City, was slain during the two-day hijacking.

Mr. Abbas was on the same Egyptian airliner as the four hijackers when U.S. Navy jets intercepted it Oct. 10 and forced it down at a North Atlantic Treaty Organization base in Sicily. The hijackers, who have been jailed in Spoleto, are charged with seizing the ship and killing Mr. Klinghoffer.

Mr. Cossiga's decision to ask Mr. Craxi to form a new government had been expected after the president's three days of consultations with leaders of the five political parties in the former coalition.

Mr. Craxi immediately began meetings with leaders of the major parties.

His aides said they expected the outline of a new government to emerge by Thursday, when Mr. Craxi is to go to New York for a meeting of Western leaders to discuss the U.S.-Soviet summit meeting scheduled for mid-November.

Politicians saw the Republican Party's conditions as a face-saving gesture in response to widespread criticism by the other coalition partners of its decision to leave the government. Many said that the party's grievances could have been resolved without bringing down the government.



VIOLENCE IN THE PHILIPPINES — A demonstrator aimed a slingshot at the driver of a police car during a clash Monday in Manila. Students and leftists joined in

a march by farmers protesting the low prices they get for their rice. Two students were killed in clashes with police, and 24 other persons were reported injured.

U.S. Businesses See a Bonanza in SDI

By Fred Hiatt
and Rick Atkinson
Washington Post Service

WASHINGTON — Since March 1983, when President Ronald Reagan unveiled his dream of a space-based defense against nuclear missiles, his Strategic Defense Initiative has been embraced by American defense contractors with public praise, some private skepticism and, inevitably, open palms.

Inside the arms industry, strategic defense, sometimes known as "star wars," now is viewed as the greatest prospect for profit ever.

The military-industrial complex, as President Dwight D. Eisenhower called the marriage of public and private defense interests, has in the past 30 months cobbled together a miniature replica of itself complete with SDI lobbyists, SDI newsletters and SDI division vice presidents.

As the space-based system is intended to shield the United States from enemy warheads, so the lobby hopes to defend this new business opportunity against any threat, including political potshots, technical naysayers and arms control agreements.

That campaign is gathering momentum as each new tide of cash brings jobs, underwrites graduate studies and builds a constituency.

John E. Pike, an opponent of the

Mr. Pike's view, although not his

reputation. A recent conference sponsored by the Electronic Industries Association on "Exploring the Opportunities" predicted steadily rising revenues from strategic defense, totaling \$69 billion from 1985 to

1994. "By 1988," said James L. Lee of Hughes Aircraft Co., "it may be institutionalized."

For now, the program remains strictly research. Next year, Congress is likely to approve about \$2.5 billion. That is more than the Reagan administration requested for all basic research financed by the National Science Foundation and the Department of Energy combined, but still little more than a blip on the defense giant's earnings reports.

Mr. Whitehead said, "Our only object was to bring to justice criminals who had hijacked a ship, terrorized its passengers, murdered an American—a crippled man in a wheelchair—and threatened to murder others."

Mr. Whitehead's remarks appeared to fall short of the public apology to the Egyptian people that Mr. Mubarak has demanded.

But, having established himself as a spokesman for a wounded national pride, Mr. Mubarak has also been attempting to lower emotions in an attempt to keep them from turning against him.

Clearly, Mr. Mubarak's government is aware of this danger. Riot police have been deployed in force around the universities and, at midday Friday, there were prayers at the main al-Azhar mosque aimed at preventing demonstrations.

The American Embassy declined

to release the text of the message

President Reagan had delivered to Mr. Mubarak, but Mr. Whitehead said the letter "expressed his continuing commitment to close U.S.-Egyptian relations and his hope that we could now put our recent differences behind us."

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Peres Urges UN To Back Direct Talks Between Israel, Jordan

By Michael J. Berlin
International Herald Tribune

UNITED NATIONS, New York — Prime Minister Shimon Peres of Israel urged the United Nations on Monday to initiate direct peace talks between Israel and Jordan before the end of the year.

Mr. Peres did not explicitly rule out participation by the Palestine

Liberation Organization, whose presence in peace talks has been demanded by King Hussein.

He made only an oblique reference to "PLO terrorism" while emphasizing Israel's desire to talk with the Palestinian people if they end their belligerency.

Mr. Peres called for an immediate end to the 37-year state of war between Israel and Jordan and expressed hope that King Hussein would reciprocate.

In an address to the General Assembly as part of ceremonies marking the organization's 40th anniversary, he said: "I hereby proclaim: the state of war between Israel and Jordan should be terminated immediately. Israel declares this readiness in the hope that King Hussein is willing to reciprocate this step."

Mr. Peres departed from recent Israeli policy by proposing the UN as an "international forum" that would help to launch and support the peace process, thus moving closer to King Hussein's own demand for an international conference that would act as an "umbrella" for negotiations.

"I invite this organization," said



Shimon Peres

Mr. Peres, "to depart from the tired and timid norm and to fulfill its destiny by ushering the parties to the conflict into a new diplomatic initiative."

The object, he said, "is to reach peace treaties between Israel and the Arab states, as well as resolve the Palestinian issue."

The negotiations, said Mr. Peres, could be between an Israeli delegation and a Jordanian-Palestinian delegation, so long as the participants "represent peace, not terror."

Mr. Peres's reference to a UN role was equally cautious and imprecise. He said that the permanent members of the Security Council—the United States, the Soviet Union, Britain, France and China—may be "invited to support the initiation of these negotiations."

He said that Israel took the position that it would not participate in negotiations with the PLO.

(Continued on Page 4, Col. 7)

Rival Black Factions Fight in South Africa

By Tom Baldwin
The Associated Press

JOHANNESBURG — Rival black factions battled with clubs and spears outside Johannesburg on Monday afternoon, and there were unconfirmed reports by residents that at least three persons had been burned alive.

The fighting is between black groups divided by tribal loyalties and over how to confront apartheid.

The violence followed four deaths Sunday in the Cape region that occurred after the funerals of persons killed in recent unrest there.

"The place is chaos," said a witness in the Meadowlands district of Soweto, the black township southwest of Johannesburg where Monday's fighting occurred.

In Pietermaritzburg, in Natal province, the treason trial of 16 anti-apartheid activists reopened Monday after a month's postponement. All the defendants, including Albertina Sisulu, 66, a veteran anti-apartheid campaigner, pleaded not guilty.

The 16 activists are members of the United Democratic Front, the main multiracial organization opposed to apartheid, South Africa's system of racial separation.

Prosecutors have not made public the specific allegations against the defendants, who are mixed-race, Asian and black.

Diplomats from the United States and other Western countries were in the courtroom as observers.

Meanwhile, a group of black youngsters surrounded and set fire to a government office building, the Zondi Council offices, where white-run black councils manage Soweto's affairs, witnesses said.

Most blacks see township councils as tools of the whites, and council buildings are regularly attacked. There were no casualties, the witnesses said.

In Cape Town, fires believed set by arsonists trying to carry violence into white areas damaged two parked cars after a night of scattered fires around the country, witnesses and police said.

Both burned cars had been parked in Cape Town's Malay Quarter, which is a popular parking area for white commuters to the city's office towers a few blocks away.

Residents said 18 other vehicles had been vandalized, apparently by black and mixed-race youngsters.

Police moved in with armored personnel carriers, creating a stir among Cape Town's whites who had rarely seen riot police on duty in the middle of a largely white district.

U.S. Attempts to Pacify Mubarak Special Envoy Asks Egypt to 'Put Differences Behind Us'

By John Kifner
New York Times Service

CAIRO — President Hosni Mubarak of Egypt met for two hours Monday with the American envoy sent to mollify him over the Achille Lauro affair and was told that President Ronald Reagan hoped the two countries would "put our recent differences behind us."

Mr. Mubarak, who had accused the United States of "stab in the back" in an American television interview Sunday, had no public comment after Monday's meeting.

The American envoy, John C. Whitehead, the deputy secretary of state, described the talks as "thorough and friendly."

After Monday's meeting, Mr. Whitehead flew to Tunisia, another ally. It was angered by President Reagan's expression of approval for the Israeli raid on the headquarters of the Palestine Liberation Organization headquarters there.

He had already been to Italy, where the government fell after the Achille Lauro hijacking.

Mr. Mubarak has condemned as piracy the forcing down of an Egyptian jet carrying the four accused Palestinian hijackers of the ship to supposed freedom.

The unorthodox capture of the hijackers an outraged public in Egypt.

Mr. Whitehead said much of the discussion Monday was taken up with the floundering peace initiative that Mr. Mubarak has been supporting, along with King Hussein of Jordan and the PLO chairman, Yasser Arafat.

In a statement after the meeting, Mr. Whitehead said that "recent events were in no way directed against Egypt or its people, for whom all Americans have the deepest respect."

"We very much regret that developments took the course that they did," Mr. Whitehead said. "Our only object was to bring to justice criminals who had hijacked a ship, terrorized its passengers, murdered an American—a crippled man in a wheelchair—and threatened to murder others."

Mr. Whitehead's remarks appeared to fall short of the public apology to the Egyptian people that Mr. Mubarak has demanded.

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Salvadoran Rebels Admit Kidnapping Duarde's Daughter

Washington Post Service

SAN SALVADOR — The Salvadoran guerrilla command assumed responsibility Monday for the kidnapping of President Jose Napoleon Duarte's daughter.

The rebels' acknowledgment came on their official Radio Venceremos. Previous statements from the Farabundo Marti National Liberation Front had emphasized the political advantages of the kidnapping without clearly accepting responsibility for it.

The radio referred repeatedly to Ines Guadalupe Duarte Duran as a "functionary," alluding to her role as publicity director in her father's election campaign last year and her management of a San Salvador radio station sympathetic to the Christian Democratic government.

The announcement came as Roman Catholic Church intermediaries tried to shore up a deal for her release in exchange for 22 rebel prisoners held by the government.



John D. Elliott of Elders
IXL of Australia
announced his company's
£1.8-billion offer for
Alfred-Lyons PLC. Page 9.

INSIDE

■ Greece's prime minister remained in Athens to defend his economic policies. Page 2.

■ President Ortega said the Nicaraguan Army would defeat anti-government rebels in the next few months. Page 4.

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■ Refugees and the alleged use of mercenaries in Burma caused concern in Thailand. Page 6.

BUSINESS/FINANCE

■ Management of R.H. Macy, the big U.S. retailer, proposed a \$3.58 billion buyout. Page 9.

■ The West German economy will grow at only a 3-percent rate in 1986, five leading research institutes said. Page 9.

Jean Riboud, Head of Schlumberger For 20 Years, Is Dead at 65 in Paris

The Associated Press

NEW YORK — Jean Riboud, 65, the former chairman of Schlumberger Ltd. and one of the world's most highly respected corporate executives, died Sunday in Paris after suffering from cancer for more than a year, the company announced Monday.

Mr. Riboud stepped down as chairman of Schlumberger on Sept. 11, after his condition worsened. He had been chief executive of the company for more than 20 years and was responsible for building it into the world's leading oil field services business.

He had remained with the company as a director, a member of the executive committee and chairman of the finance committee.

Mr. Riboud was a close friend of President Francois Mitterrand of France, whom he served as an unofficial economic adviser since the Socialist leader was elected president in 1981.

There was frequent speculation that he would become a member of the cabinet.

Schlumberger often was praised as being one of the best-managed businesses in the world, notably in a two-part article in The New Yorker magazine in 1983 by Ken Auletta.

The New York Times, in a profile of Mr. Riboud on the occasion of his departure as chairman, said that he was regarded in the financial world with a degree of reverence.

"He's a legendary man," Edward P. Reilly, an analyst with Fehnestock & Co., was quoted as saying. Mr. Riboud's success lay in attracting top managers, plus other personnel, he said.

Even competitors expressed admiration. "They're an excellent company and a good competitor, and we're sorry to see him go," said Marvin Gearhart, chief executive

of Gearhart Industries, one of Schlumberger's main competitors.

Under Mr. Riboud, Schlumberger diversified from its original business of testing for oil, acquiring holdings in electronic instruments, semiconductors and computer-aided design systems.

The company thrived under his leadership, often posting annual earnings gains of more than 35 percent until the 1981-82 recession.

Mr. Riboud was a lieutenant in the French Army in the early part of World War II. He later joined the Resistance, was taken prisoner and survived two years at Buchenwald before he was released by U.S. forces in May 1945.

He joined Schlumberger in May 1951 as an assistant to Marcel Schlumberger, a co-founder of the group. He was named president and chief executive in May 1968 and became chairman of the board in March 1972.



Jean Riboud

Papandreou Skips UN Fete, Stays Home to Defend Austerity Plan

By Henry Kamm
New York Times Service

ATHENS — Prime Minister Andreas Papandreou will spend this week here defending his austerity program, a subject of political and labor unrest, rather than in New York celebrating the 40th anniversary of the United Nations.

Mr. Papandreou called off his visit on Oct. 12, a day after he announced the package of economic moves intended to curtail rapidly rising foreign indebtedness. The draconian wage increases severely limited imports curbed and new taxes imposed.

The deficit in Greece's accounts topped \$2 billion by the end of July, dashing government hopes of keeping it at that ceiling for all of 1985. Estimates of Greece's total foreign debt range from \$15 billion to more than \$20 billion.

The measures, particularly the virtual freeze on automatic wage increases linked to the cost of living, provoked the most serious division in the governing Socialist Party since it came to power in 1981.

Eight union leaders who disagreed with the measures were expelled from the party last week. Three had been members of the central committee.

They joined leaders of unions affiliated with Greece's two Communist parties in calling for a series of 24-hour general strikes beginning Monday.

The prime minister's cancellation of his trip to the United States, where he lived for two decades, comes at a time when Greek-American relations, at low ebb since he came to power, are improving.

Greek and American officials reject the view that Mr. Papandreou is staying home because he was not invited to a private meeting with President Ronald Reagan.

Although he wants such a meeting, largely to enhance Greece's



Greek workers on a 24-hour strike gathered Monday in Athens to protest the austerity program of Prime Minister Andreas Papandreou, right.

standing in international financial circles, Mr. Papandreou is unlikely to be invited to the White House until he lifts his threat to shut down American military bases in 1988.

The United States is pressing for assurances that the bases will remain open before proceeding with modernization work. The prime minister believes that small countries can cope with major powers only by keeping them guessing.

However, after years of telling his party and the public that the bases would be closed in 1988, Mr. Papandreou told the party's central committee last month that those who believed that Greece could "here and now" eject the bases and withdraw from the North Atlantic Treaty Organization and the European Community had "their heads in the clouds."

The prime minister had been re-evaluating gradually from his 1981 pledges to withdraw from the alliance and the EC.

Four days later, in a further indication of what is seen here as Mr.

Papandreou's new pragmatism, he dropped from his party's ruling executive eight of its 11 members, including those known to have agitated for more Socialist policies at home and a sharper turn away from the West in foreign policy.

They were replaced with men known largely for subservience to Mr. Papandreou's views.

Greece has also taken steps to try to soothe American concern about two security issues.

It has made significant improvements in its anti-terrorist posture because of a U.S. warning to Americans against a high risk of terrorism at Athens airport after the hijacking of a Trans World Airlines plane in June.

The Papandreou government viewed the travel warning, which some officials estimate may have cost Greece as much as \$300 million in lost tourist revenue, as punishment for the prime minister's occasional anti-American outbursts. At the same time, it considers the lifting of the advisory as a turning point, giving rise to the present cautious optimism on both sides.

American and international authorities now consider Athens security on a par with that of other Western airports.

In the field of security against espionage, Greece was reliably reported to have acted on information from the Central Intelligence

Agency on possible spies named by Sergei Bokhan, a senior official of Soviet military intelligence stationed here until he defected to the United States in May.

Apparently as a result, American hesitation about proceeding with a \$1-billion sale of 40 F-16 jet fighters seems on the way to being overcome, and the sale may be concluded before the end of the year.

Both governments appear hopeful that a three-day visit at the end of this month by Michael H. Armacost, U.S. undersecretary of state for political affairs, will significantly advance what the Papandreou government is privately calling the rapprochement.



General Strike in Athens

Greek workers ranging from doctors to taxi drivers joined in a 24-hour general strike Monday to protest government austerity measures, United Press International reported from Athens.

Olympic Airways canceled all international and domestic flights during the strike period.

Organized by a coalition of trade unions and business groups, the strike hit Athens, Salonika and 23 other major cities and towns.

The strike went ahead without the support of the government-controlled Federation of Labor, which pressed instead for negotiations with the government.

WORLD BRIEFS

EC Ministers Open Session on Charter

LUXEMBOURG (Reuters) — Foreign ministers of the European Community opened on Monday a two-day meeting in Luxembourg devoted largely to stalled negotiations on possible changes in the EC charter before the entry of Spain and Portugal on Jan. 1.

Diplomats said the meeting started with discussions on how to treat other Mediterranean countries after the community is enlarged to 12. The Israeli foreign minister, Yitzhak Shamir, was expected to tell ministers on Tuesday about his country's fears that Spain's entry into the EC could have a serious effect on Israeli exports of fruits and vegetables.

Other southern Mediterranean nations — including Morocco, Egypt and Cyprus — whose exports to the EC account for 30 percent to 60 percent of their farm trade, are concerned over the community's apparent inability to agree on how to handle their products as enlargement of the community approaches.

Nobel Winner Tells U.S. to Cut Deficit

WASHINGTON (AP) — This year's winner of the Nobel Memorial Prize in Economic Science, Franco Modigliani, told a congressional panel Monday that U.S. government deficits should be cut immediately. Further, he said, members of Congress should not rely on what he called a "Mickey Mouse" balanced-budget plan now before a House-Senate conference committee.

He said that Congress should not be afraid to raise taxes in the interest of trimming the deficit.

Mr. Modigliani, a professor at the Massachusetts Institute of Technology who was awarded the Nobel prize last week, told the Joint Economic Committee that the nation's \$200-billion annual deficits cause "an insidious kind of damage" that does not appear suddenly. Instead, he said, the economy "will get worse and worse as you move on" unless the deficits are cured.

Kohl to Meet Reagan, Other Leaders

BONN (AP) — Chancellor Helmut Kohl will have three meetings with President Ronald Reagan and talks with the leaders of China, India and Israel when he visits New York this week, a West German government spokesman said Monday.

Mr. Kohl, who is to leave for New York on Tuesday, will take part in the allied meeting expected to center on Mr. Reagan's summit meeting with the Soviet leader, Mikhail S. Gorbachev, in Geneva next month, the spokesman said.

The government leaders are all going to New York this week to mark the 40th anniversary of the United Nations.

In a private meeting with Mr. Reagan, Mr. Kohl is to discuss possible West German participation in the research for the space-based missile defense system proposed by the United States, according to foreign ministry sources.



Helmut Kohl

China Reported to Test Cruise Missile

BEIJING (Reuters) — China has successfully launched a cruise missile from a land-based site, the first such missile that China is believed to have tested, East European diplomats said Monday.

The diplomats said they understood that the missile, which landed in the East China Sea about 190 miles (300 kilometers) southeast of Shanghai, was a surface-to-surface missile for use by submarines. They did not say where the missile was fired from or what its range was. But they said that most of its path was over land to facilitate electronic checks on the flight.

Seoul Newspaper Says Boat Exploded

SEOUL (AP) — A North Korean boat sunk by the South Korean Navy after allegedly trying to approach shore may have been carrying explosives and blew up during an exchange of gunfire, a Seoul newspaper reported Monday.

The report said the vessel "exploded with 10-meter-high [11-yard] fireballs." It was not known how many crew members were aboard. South Korean officials said there were no survivors.

South Korea had contended that the vessel was spotted early Sunday trying to approach shore near the port of Pusan, 220 miles (360 kilometers) south of Seoul. The Defense Ministry said the ship had fired at South Korean Navy vessels that ordered it to halt. The ship, the ministry added, was sunk after a three-hour chase by naval units supported by air force planes.

Paraguayan Duel Stopped by Police

ASUNCION, Paraguay (Reuters) — The police intervened to prevent a duel between President Alfredo Stroessner's former son-in-law and a member of the national legislature, witnesses said.

Hundreds of people gathered Saturday at a park in the capital where Humberto Dominguez Dibb, the former husband of General Stroessner's daughter, had challenged Oscar Zaccarias Cubillas to meet him.

About 50 policemen dispersed the crowds and told the duelists to leave before they could come face to face. Mr. Dibb, who owns the newspaper Hoy, published his challenge on the front page of the paper. Mr. Zaccarias had said that Mr. Dibb gained wealth and power because his children were the president's favorite grandchildren.

For the Record

Iraq said its aircraft launched a raid Monday on Iran's Kharg Island oil terminal after a weekend lull and returned safely to base. It was the 29th raid against Kharg since mid-August.

At least 15 people were killed Monday when a bus burst into flames after an 11 vehicle pile-up on a highway south of Lancaster in northwest England, the police said.

A tourist bus plunged off a highway bridge Monday and crashed onto a city street in Pesaro, Italy, killing eight persons and injuring 41, according to rescue workers.

Warsaw Pact Leaders Arrive In Sofia for Summit Talks

SOFA — The Soviet leader, Mikhail S. Gorbachev, and leaders of the six other Warsaw Pact nations arrived here Monday for a summit conference, the official Bulgarian news agency BTA reported.

The session, formally a meeting of the pact's Political Consultative Committee, was expected to endorse Soviet arms control proposals in advance of Mr. Gorbachev's scheduled meeting next month in Geneva with President Ronald Reagan of the United States.

In Moscow, the Tass news agency said that Mr. Gorbachev was accompanied to Sofia by President Andrei A. Gromyko, Prime Minister Nikolai I. Ryzhkov, Foreign Minister Eduard A. Shevardnadze, Defense Minister Sergei I. Sokolov, Konstantin V. Ruskakov, the party secretary, and Boris I. Arizov, the newly appointed minister of foreign trade.

BTA said that Marshal Viktor Kulikov, the Soviet commander-in-chief of the Warsaw Pact armed forces, also had arrived in the Bulgarian capital.

The last regular session of the Political Consultative Committee, the bloc's top policymaking body, was in Prague in 1983.

The United States has been cool to the latest Soviet arms proposal, which calls for 50-percent reductions in the intercontinental nuclear arsenal of each nation. U.S. officials have said this would leave the Soviet Union with an advantage in nuclear weapons.

A Soviet Foreign Ministry spokesman, Vladimir Lomeiko, in a television interview in Moscow, singled out nuclear arms reductions, a ban on space weapons and a general renewal of détente as main topics for the summit.

"These central issues, which we may say weigh heavily on mankind, have to be resolved, and the Political Consultative Committee, which stands for the wisdom and experience of all socialist countries, will doubtless greatly contribute to the elaboration of the ways to the resolution of these issues," Mr. Lomeiko said, according to a translation by BTA.

Chilled
TIO PEPE
The natural aperitif.
Very Dry Sherry

Leftist Hero of Portugal's Revolution Admits Planning Secret Rebel Army

Reuters

LISBON — A hero of Portugal's 1974 revolution who is accused of forming a leftist guerrilla group said Monday that he had drawn up plans for a revolutionary army but that it had never become a reality.

Lieutenant Colonel Otelo Saraiva de Carvalho is charged with founding and leading a guerrilla group called FP-25. On trial with him are 71 people accused of belonging to it.

FP-25 has been blamed for killings, bombing and bank robberies since 1980. FP-25 stands for Popular Forces of April 25, the date of the 1974 revolt that overthrew nearly 50 years of rightist dictatorship.

The prosecution bases the charges on documents it said were seized from Colonel Otelo when he was arrested in June 1984.

Colonel Otelo, 49, told the court he drew up a revolutionary political project in 1978 that included a legal political party and a plan for a secret civilian army.

This army, he said, "would one day, if there were reasons for it, have had the historic duty to launch an armed rising that would bring the workers to power."

Wearing civilian clothes, a crew cut and a red carnation, symbol of the 1974 revolution, Colonel Otelo said he conceived his political project in the late 1970s in response to "worrying signs of a fascist comeback."

He said that in two handwritten notebooks seized at his home by the police, which gave details of his political project, there was no mention of FP-25 or actions claimed by it.

He said he founded a political

party, the Popular Unity Force, or FUP, which had no links with FP-25. The prosecution alleges that the party was FP-25's political wing.

A written defense already presented to the court said the possible need for armed action was justified by Colonel Otelo's fear that a worsening social, economic and political crisis might lead rightist extremists to attempt to take over the state.

The trial resumed Oct. 7. It was adjourned immediately after it began July 22 because FP-25 shot dead a key prosecution witness a few days earlier.



Otelo Saraiva de Carvalho

British Miners Decide To Form a Rival Union

Reuters

LONDON — Workers in Britain's second biggest coalfield and a small neighboring area have voted to set up a rival union.

Ninety percent of Nottinghamshire's 27,000 miners voted by a

majority of almost 3-to-1 to form the Union of Democratic Mineworkers, according to results announced over the weekend.

In South Derbyshire, rebel miners won a narrow majority. There were 1,286 votes in favor of cutting links with the National Union of Mineworkers, while 1,260 miners opposed abandoning the nationwide union.

The vote was the most serious blow to the unity of British miners since a majority of Nottinghamshire coal workers formed a breakaway union after the 1926 general strike.

Arthur Scargill, president of the National Union of Mineworkers, urged the Trades Union Congress, umbrella group of Britain's labor movement, to shun the rebel union.

Mr. Scargill had campaigned to stop a split within his union since a yearlong coal strike against pit closures was defeated in March.

"I call on all miners to stay within one national union," Mr. Scargill said. "It is the one way we can prevent pit closures and job losses."

The state-run National Coal Board, which had promoted the idea of a parallel union by negotiating pay deals with disgruntled miners, welcomed the formation of the new faction.

Ian MacGregor, chairman of the board, said he looked forward to meeting the new union's leaders to discuss the future of coal.

Roy Lynk, one of the leaders of the Nottinghamshire miners, described the result as a victory for democracy. "In a short space of time we will be the new national union of mineworkers, based on democratic principles," he said.

He said the breakaway union was confident of receiving widespread support from other disillusioned miners.

A majority of miners in Nottinghamshire, where modernized pits were relatively unaffected by plans to close money-losing mines, did not support the strike.

Mitterrand Returns to Paris

Agence France-Presse

PARIS — President François Mitterrand of France returned to Paris on Monday from Colombia after a week of official visits there and in Brazil. Officials said that his discussions had centered largely on the Third World's debt problems.

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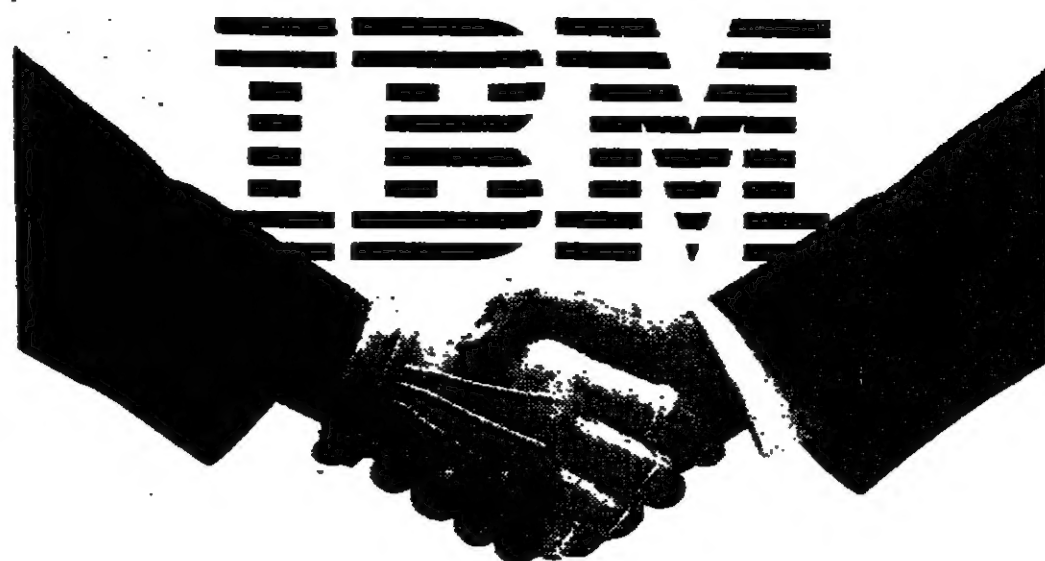
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Immigration Lawyers Under Investigation

U.S. Agency Says Fraud in Getting Visas, Work Permits Is 'Widespread'

By Robert Pear
New York Times Service
WASHINGTON — Federal officials say they are investigating "a substantial number" of lawyers who specialize in immigration as part of an inquiry into fraudulent schemes to obtain visas, work permits and other benefits for aliens.

Officials of the Immigration and Naturalization Service have declined to give a specific number of cases under investigation other than to say that there are "several dozen."

The service says immigration fraud is widespread. Its officials say it is concentrating its inquiry on marriage fraud and fraudulent applications for permission to work in the United States.

Immigration lawyers say the government's assertions about the extent of fraud are unproved and the investigations are meant to discourage lawyers from representing aliens vigorously. They also strenuously object to the government's investigative tactics.

The government has already brought charges or taken other legal actions against some lawyers. Dale M. Schwartz of Atlanta, president-elect of the American Immigration Lawyers Association, was recently indicted by a federal grand jury on eight counts of mail fraud and false statements in a case involving a British businessman who came to the United States to work for an American aerospace company. Mr. Schwartz pleaded not guilty last week.

In Houston, two lawyers were recently sentenced to 18 months in federal prison after they pleaded guilty to three criminal counts arising from what was termed a fraudulent scheme to get work visas for clients.

Court to Rule If Airlines Must Serve U.S. Disabled
United Press International
WASHINGTON — The U.S. Supreme Court agreed Monday to decide if airlines that use government-subsidized services must obey a federal law banning discrimination against the handicapped.

A U.S. Court of Appeals ruled in January that since airlines use airports that get money from the government and enjoy the services of the federally operated air traffic control system, they indirectly receive federal financial assistance and must follow the law.



He's Living Up to a T-Shirt Slogan

Anthony Mandia, 44, was the first recipient of a new artificial heart developed by researchers at Pennsylvania State University. Mr. Mandia received the heart on Friday at a hospital in Hershey, Pennsylvania. Doctors said Mr. Mandia suffered a temporary disorder on Sunday but since then the heart has worked beautifully. They said they hoped to replace the artificial heart with a real one as soon as one became available. The slogan on Mr. Mandia's shirt reads "Penn State Has Heart."

Stefan Askenase, a Belgian Pianist Who Interpreted Chopin, Dies at 89

REUTERS
BONN — Stefan Askenase, 89, a Belgian pianist, died of heart failure shortly after giving a concert in Cologne, West Germany, on Sunday night.

Mr. Askenase was best known as a performer of works by Chopin and had made many recordings. He was born in the Austro-Hungarian city of Lemberg (now Lvov in the Soviet Union). Mr. Askenase had lived in Bonn since the late 1960s.

He studied in Vienna before World War I, when he served as an artillery lieutenant in the Austro-Hungarian Army.

During World War I, Mr. Askenase, a Jew, went into hiding in France. He became a Belgian citizen in 1951.

Joseph Rosenstock, Opera Orchestra Conductor
NEW YORK (NYT) — Joseph Rosenstock, 90, who conducted at the Metropolitan Opera and was a general manager of the New York City Opera, died of a heart attack Thursday in New York City.

Over the course of his long career, Mr. Rosenstock also conducted orchestras in Germany and Japan. He was born in Krakow, Poland, and graduated with honors from the Academy of Music in Vienna, where he had studied the piano.

Federal Absentee Ballot Is Under Study by U.S.

The Associated Press
WASHINGTON — The U.S. government plans a new kind of absentee ballot for the 3.5 million Americans who are outside the country for every election.

All Americans of voting age who are abroad on Election Day are entitled to cast absentee ballots in the state where they last lived, whether they are abroad for an extended time or a short visit.

Under the current system, they receive absentee ballots from officials in each individual state. Some voters receive the ballots late or find the system too complicated.

Under the plan, a new absentee ballot for federal offices that could be used in place of a state ballot would be available at military installations, embassies, consulates and other places in foreign countries.

Henry Valentino, head of the federal program to assist voters, said the proposed ballot is "not controversial and we have good hopes of getting it approved in this session of Congress."

Mr. Valentino said Friday that the plan had been approved by Defense Secretary Caspar W. Weinberger. The voting assistance program is under the Pentagon even though it also is used by civilian voters. Taken as a whole, Americans abroad form a voting bloc larger than some of the 50 states.

He estimated that only about 33 percent of the potential civilian voters cast ballots from abroad in the 1984 presidential election. That compares with an estimated 53 percent in the country as a whole. The voting figure was 55 percent for members of the armed forces.

Some states have cumbersome procedures that require voters to get several documents notarized. Others do not send absentee ballots early enough.

Under a 1975 law, the act of voting for a federal office cannot be used to make a voter eligible for state taxes.

Chicago Will Settle Suit Over Police Spy Squad
The Associated Press
CHICAGO — The city has agreed to pay \$306,250 in damages to 20 targets of the Police Department's now defunct "red squad," an attorney said Monday. Payments of \$20,625 each will go to 10 organizations, while 10 individuals will collect \$10,000 each.

The out-of-court settlement was the result of a 1974 suit by 25 plaintiffs who contended the unit spied on and disrupted lawful activities of church and civic groups.

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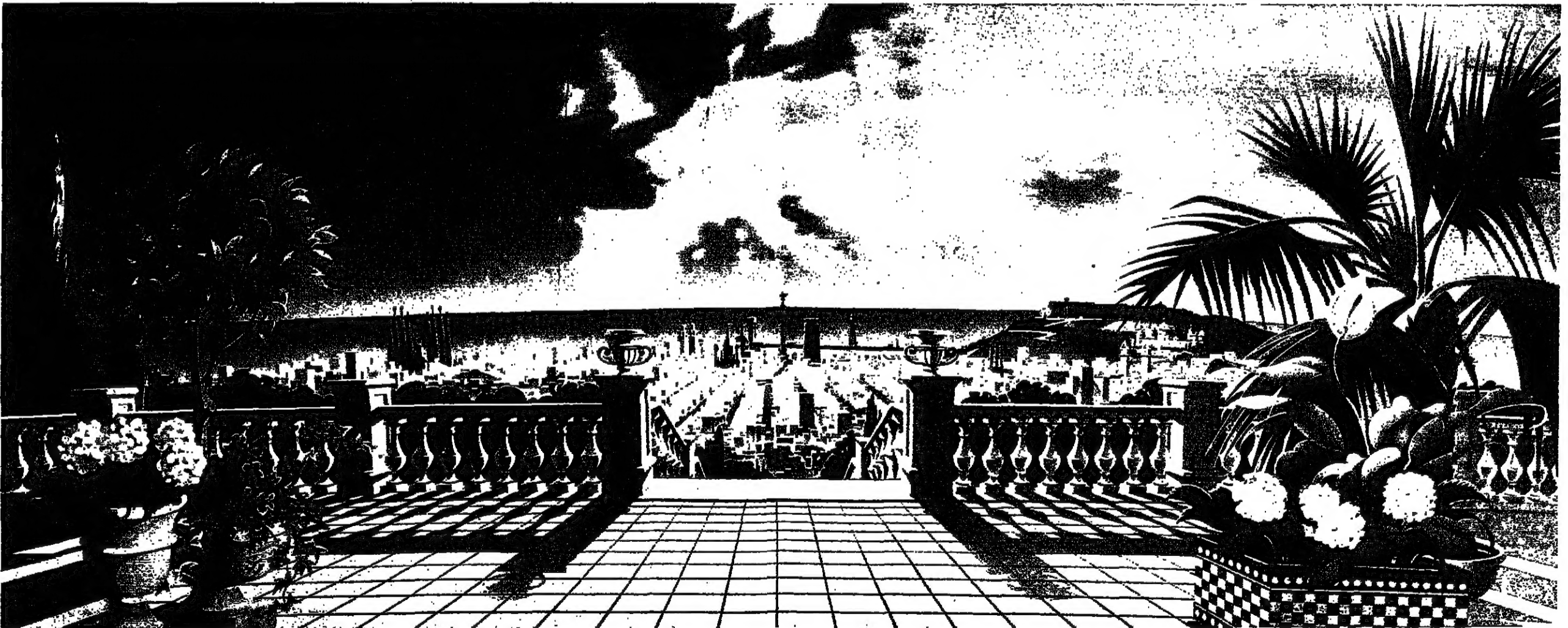
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Barcelona earns its living as a seaport, situated in the glowing and evocative Mediterranean. It's a city as civilized and historic as any. From

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And the boulevard of flowers
Barcelona is a Terrace bedecked with flowers, exultation and excitement. It's like its splendid Ramblas de las Flores, a boulevard of flowers unique in the world for its beauty, colour and background. And for its people.

And the Gandhi Church
This famous church, designed by Antonio

Gaudi, epitomises the spirit of Barcelona and enshrines the Holy Family. Indeed, Barcelona is itself like a church and reveres the work of this famous architect with many examples of his work for you to admire.

And the sport olympiads
Every day there are exciting sporting events in Barcelona. And there is something for everyone, amateur or professional. Barcelona lives for sport, with its stadiums, sporting playgrounds and its magnificent position by the sea.

And the Picasso museum
It is perhaps only fitting that the Picasso Museum should be situated in Barcelona because the town itself was a source of so much inspiration to this brilliant painter. Just watch a pigeon as it flies past any corner of the Gothic District and you will understand why Barcelona meant so much to Picasso and has so much of his style and colour.

of sport are the '82 World Football Cup and Barcelona's nomination for the '82 Olympic Games.

And the main course
Any visit to Spain must include a stay in Barcelona. In fact, it should be the main course on your travel menu because of its art, its culture, its scenery, its entertainments and its food. Nowhere else in Spain is there such a variety of cuisine. For example, nearby is the Penedes, the cava's cradle, and the internationally famous Cordon-Rosado wine—an ideal place in which to drink a toast to your journey. Not to mention the nightlife. If Barcelona is spectacular in the daytime it is magnificent at night. It glows with lights and offers you a host of exciting entertainment.

From the gentle hills surrounding it—especially the Tibidabo and Montjuic—Barcelona offers you a wide choice of cinemas, theatres, music halls and night-clubs.

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Reagan to Announce Arms Sale to Jordan Despite Lugar Warning

United Press International

WASHINGTON — President Ronald Reagan was expected to send a formal notification to Congress on Monday of his intent to sell \$1.9 billion worth of U.S. arms to Jordan, a deal he says is vital to Middle East peace efforts.

A formal announcement was expected in the face of warnings from Richard G. Lugar, chairman of the Senate Foreign Relations Committee, that Mr. Reagan accept conditions on the sale to avoid its defeat.

The arms package, estimated at \$1.9 billion, includes 40 jet fighters and an array of anti-aircraft missiles, including mobile Hawk surface-to-air batteries.

Mr. Lugar, an Indiana Republican, said in an NBC television interview Sunday: "I would say we would have to reason together and find out if there is a way King Hussein's defense needs can be met and at the same time the security of Israel guaranteed."

Larry Speakes, the White House spokesman, emphasized on Monday Mr. Reagan's argument that Hussein deserves the U.S. arms as an inducement to remain involved

in efforts to forge direct negotiations with Israel.

"King Hussein has made some courageous statements regarding direct talks and his involvement in the peace process," Mr. Speakes said.

Mr. Lugar told Secretary of State George P. Shultz last week that there is a high probability that the package will be defeated in the Republican-led Senate unless it is revised.

The sale will be automatic unless both the Senate and the House of Representatives reject it within 30 days after formal notification.

The Democratic-controlled House is virtually certain to defeat it, and Senator Alan Cranston, a Democrat of California, appearing with Mr. Lugar, forecast its defeat in the Senate.

Mr. Cranston said: "The strong feeling is that this is not the time to give arms to Jordan when they are in a state of war with our No. 1 ally in the Middle East, Israel."

Shimon Peres, the Israeli prime minister, appearing on ABC television, was asked if any conditions



Richard G. Lugar

could be attached to the sale to quell Israel's opposition.

"Yes, there is just one condition: Let's have peace," he said. "I mean, our feeling is — contrary to the prevailing feeling in some circles in Washington — is that arms will not lead to peace."

Also on the ABC program, Zbigniew Brzezinski, national security adviser to President Jimmy Carter, said: "If we don't help Jordan, at the very best we'll drive it into the hands of the British and the French, and at the very worst help to precipitate, eventually, political change in Jordan."

Zia Expresses Hope for Better Relations With India

By Elaine Sciolino

UNITED NATIONS, New York — President Mohammed Zia ul-Haq of Pakistan has expressed the hope that his meeting with Prime Minister Rajiv Gandhi of India on Wednesday will "pave the way for a better, friction-free relationship" between the two countries.

"We thought we could meet here to explore the possibilities of how to get over the snail's pace of normalization of relations," he said Sunday.

The two leaders, who are attending the 40th anniversary observances of the United Nations, have met twice before, at the funeral of Indira Gandhi, the Indian prime minister who was assassinated a year ago, and Konstantin U. Chernenko, the Soviet leader who died in earlier this year.

On a separate matter, General Zia reiterated his pledge to sign the treaty banning the spread of nuclear weapons and to open his country's nuclear plants to international safeguards and inspection if India agreed to do the same. He said that a regional policy was necessary to deal with the nuclear abilities of the two countries.

"Let's have an emboldened policy from international agencies," he said, "and also from countries

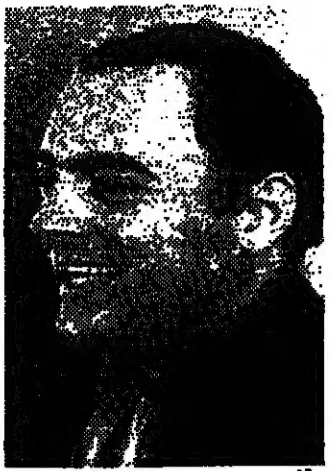


Mohammed Zia ul-Haq

like the United States to deal with India and Pakistan on the same plane. Pakistan's offer is that if India agrees to sign a nuclear non-proliferation treaty, we will be signing one minute before."

General Zia said he expected to discuss regional cooperation with Mr. Gandhi this week.

Last month, the United States sent a mission led by Michael H. Armacost, undersecretary of state for political affairs, and Donald R. Forster, a member of the National



Rajiv Gandhi

Security Council, to help smooth relations between India and Pakistan, which have fought three wars since their independence in 1947.

The mission, which urged the two countries to undertake "regional initiatives" to avert a nuclear arms race on the subcontinent, was praised in Pakistan and criticized in India.

"Let's have mutual inspection of both nuclear installations," General Zia said, "and if that is not acceptable, let's have a bilateral nu-

clear nonproliferation treaty, and, if that is not acceptable, an international agreement."

The Pakistani leader called the nuclear issue a "major point of contention" between the two nations, asserting that in the last six months India had "stepped up its propaganda that Pakistan is indulging in nuclear technology for military purposes."

India maintains it has no program to produce bombs, and contends that Pakistan is determined to have one. General Zia reiterated denials that his country is developing a nuclear bomb, saying, "Pakistan has neither the resources nor the means nor the desire."

He added, however, that his country had no intention of changing its policy on developing its nuclear capability. He characterized Pakistan's program to produce enriched uranium at the Kahuta plant as "a very modest research program," necessary to help make the country self-sufficient in meeting future energy requirements.

General Zia dismissed as "all fabrication" Western intelligence reports that Pakistan has built a small reprocessing plant in Islamabad that can produce plutonium. He denied recent reports from India that Pakistan was on the verge of conducting a nuclear test with Chinese cooperation on its border

with China, saying that Pakistan's nuclear program is "totally indigenous."

Another subject that he expects to come up at his meeting with Mr. Gandhi is India's contention that Pakistan aids Sikh terrorists at training camps in Pakistan. General Zia has denied the assertion. "I'd not only like somebody to prove that Pakistan is training the Sikhs, but why should we?" he said. "You just don't soil your hands unnecessarily unless you can achieve."

He said that the border between India and Pakistan is "open and easily accessible by smugglers or anyone wishing to get across." He added that "we don't rule out" that "some Sikhs may have got across to Pakistan and some Pakistanis might get across to India."

Concerning internal policies, General Zia reiterated promises to lift martial law at the end of the year. "When martial law is lifted, the constitution is totally revived," he said. "You'll have a free, independent, democratic government."

The lifting of martial law is not expected to have much effect. General Zia is demanding that the new assembly pass constitutional amendments to allow a military council to overrule any actions of the civilian government.

Syria Is Said to End Efforts to Free U.S. Hostages

By Ihsan A. Hijazi

New York Times Service

BEIRUT — Syria has abandoned efforts to gain the release of Americans kidnapped in Lebanon in the last year and a half, according to Lebanese political leaders.

The political leaders said Sunday that Syria had been angered by the U.S. interception of an Egyptian airliner carrying the hijackers of

the cruise ship Achille Lauro. The four hijackers were arrested by Italy after the plane was forced to land in Sicily.

The Lebanese political leaders quoted unidentified Syrian officials as saying that after the interception of the Egyptian plane no one would ever trust the Americans again.

Liverpool Cancels Municipal Layoffs

The Associated Press

LIVERPOOL, England — The city council has agreed to cancel the planned layoffs of 31,000 city workers and accept an independent inquiry into the city's finances.

The policies of the militant leftist council have clashed with the national Conservative Party government. National cutbacks have reduced aid and the council, refusing to raise taxes or reduce services, has a debt equal to \$162 million.

The council had announced that on Dec. 31 it would lay off the entire city work force and rehire the workers in April. Under the compromise, four financial auditors from other urban councils are to find ways to curb Liverpool's debts, while their cities will try and lend Liverpool money to pay salaries.

The political leaders were in Damascus for talks on ending Lebanon's decade-long civil war.

The shadowy organization Islamic Jihad, which is believed to consist of Shiite Moslem fundamentalists who support Ayatollah Ruhollah Khomeini of Iran, is reported to have kidnapped all or most of the six missing Americans.

The group said earlier this month that it had "executed" one hostage, William Buckley, who until his kidnapping 18 months ago was the political officer at the U.S. Embassy.

A week later, the organization delivered a photograph of a body to local newspapers and said it was Mr. Buckley's. In an accompanying statement, it offered to turn the body over to the United Nations secretary-general, Javier Pérez de Cuellar, if Israel freed 100 Palestinian prisoners.

Islamic Jihad said it had killed Mr. Buckley in retaliation for the Israeli air strike Oct. 1 on the headquarters of the Palestine Liberation Organization in Tunisia.

Aside from Mr. Buckley, the missing Americans are Peter Kilburn, a librarian at the American University of Beirut; Thomas M. Sutherland, the university's dean of agriculture; David Jacobson, the director of the university hospital; Terry A. Anderson, Middle East

correspondent for The Associated Press; and the Reverend Lawrence Martin Jenao, a Roman Catholic priest.

Syria's president, Hafez al-Assad, has been personally involved in past efforts to free kidnapped Americans, and one has been released. That hostage, the Reverend Benjamin Weir, a Presbyterian minister, was freed last month.

In a message carried by Mr. Weir, the kidnappers said they would be ready to free all the American hostages if Kuwait released 17 people convicted for bomb attacks on the United States and French embassies and other installations in December 1983.

Meanwhile, an anonymous caller, purporting to speak for the kidnappers of Soviet Embassy officials in Beirut, telephoned a Christian radio station and said a second hostage had been killed.

The station, the Voice of Lebanon, quoted him as saying that the police had been notified and had been asked to retrieve the Russian's body.

The same man, who claimed to represent a group called the Islamic Liberation Organization, telephoned three hours earlier to say that one of the captives would be killed and his body dumped in Beirut's southern suburbs, the station said.

Right to Dignity In Death Upheld In Papal Speech

The Associated Press

VATICAN CITY — Pope John Paul II condemned mercy killing but said Monday that doctors and families must ensure the right of the incurably ill to "die with dignity."

Addressing scientists here to discuss the problems created by medical advances that can prolong life, the pope said, "Euthanasia is a crime in which one must in no way cooperate or even consent to."

John Paul also noted the Roman Catholic Church's position, set down in 1980, that "when inevitable death is imminent in spite of the means used, it is permitted in conscience to make a decision to refuse forms of treatment that would only secure a precarious and burdensome prolongation of life."

Albania's New Leader Consolidates His Power

By David Binder

New York Times Service

WASHINGTON — The president of Albania delivered a long speech on domestic and foreign policy recently, and hardly anyone outside the country noticed.

Hardly anyone, that is, except the world's small band of Albanian watchers. They noted that the speech, titled "Albania Will Always Advance on the Road to Socialism," included some fresh nuances on the isolated Eastern European country's attitude toward other nations.

But the speech Aug. 26 by the president, Ramiz Alia, acquired the authority of a weighty policy statement last month when it was distributed in translation by Albanian diplomatic missions around the world, along with a photograph of Mr. Alia, who turned 60 on Friday.

The edition made available in the United States was sent out by the Albanian Mission to the United Nations.

It was the first address by Mr. Alia, who is also first secretary of the governing Party of Labor, to receive such an imprimatur.

Coming four and a half months after the death of Enver Hoxha, the longtime Communist leader, the address was seen as an assertion of the definitive acceptance of Mr. Alia as his successor. Previously, this kind of publishing treatment was accorded only to Mr. Hoxha's voluminous works.

Another sign of Mr. Alia's consolidation of power was provided recently by Mr. Hoxha's widow, Nexhmije Hoxha, 64, a member of the party's Central Committee and evidently still a powerful figure in Albanian politics. On a visit Sept. 12 to a new hydroelectric power station at Koman, which is named for Enver Hoxha, she spoke glowingly of her late husband, but also of Mr. Alia.

Among the new accents in Mr. Alia's speech was his disclosure that Albania had finally begun direct talks with Britain on a return of about \$36 million in gold that had once belonged to the royal house of King Zog.

The gold was sequestered by Italy in World War II, then seized by the Wehrmacht and transferred to a salt mine in Germany. It is kept in the Bank of England's vaults pending disposition by Britain, the United States and France.

Mr. Alia further acknowledged that the talks involved British claims growing out of the so-called Corfu Channel incident of Oct. 22, 1946, when two British destroyers struck mines in the narrows near the Albanian coast, killing 38 sailors.

Britain won a World Court decision awarding compensation for the incident. Mr. Alia said Albania disclaimed responsibility for the mining of the channel, but the matter is now clearly on the negotiating table for the first time.

Mr. Alia did not mention France, with which Albania is also seeking to improve relations. But last month Jean-Michel Baylet,



Ramiz Alia

French secretary of state for foreign relations, spent 48 hours in Albania, meeting nearly every official in Albania acquainted with France except Mr. Alia himself. Mr. Alia attended a French lycée in Tirana, the Albanian capital, as a boy.

Mr. Alia did not mention his government's dialogue with West Germany, which began more than a year ago, on taking up diplomatic relations. The talks also deal with Albania's assertion that the Germans owe compensation for the destruction caused during the brief Nazi occupation.

On Greece and Italy, for example, Mr. Alia spoke of "obvious progress" in commercial and cultural relations.

As for Yugoslavia, with which relations have been deeply troubled for the last four years over the ethnic Albanian minority of nearly two million just across the border in the republic of Serbia, Mr. Alia mixed hope with regret.

The only other Communist country he mentioned was the Soviet Union, but he lumped it together with the United States, saying, "Our country has been and is a resolute opponent of the aggressive and expansionist policy of American imperialism and Soviet social-imperialism."

As if to discourage speculation, Mr. Alia added that in the aftermath of Mr. Hoxha's death, "those who dream of and expect changes in our line, who interpret the usual normal political and diplomatic acts of our independent and sovereign state as 'opening up' of Albania or 'tendencies' to get closer to one side or another, are wasting time."

2 Indian Officials Are Slain

United Press International

NEW DELHI — Three men suspected of being Sikh terrorists shot and killed two Indian government officials Monday at a toll booth in Kashmir, near the state's border with Punjab state, the Press Trust of India reported. The three assailants escaped, the news agency said.

Refugees, Alleged Use of Mercenaries Put Burma Insurrection in Spotlight

By William Branigan

Washington Post Service

BANGKOK — An upsurge in one of the world's longest insurgencies, a 36-year battle by the Karen ethnic minority against the Burmese government, has raised concern here about Western mercenaries and an influx of refugees into Thailand.

Heavy fighting between Burmese troops and guerrillas of the Karen National Union began early this month in at least three locations near Burma's central border with Thailand, according to Western diplomats, relief workers and Thai military sources.

At least 17,000 Karen refugees have fled across the border since last year and are now living in seven camps in Thailand's Tak province, relief officials said. Recent arrivals reported mistreatment of

Karen villagers by Burmese troops, relief workers said.

The latest fighting has focused attention on the conflict because of the reported death of a French mercenary and the wounding of an Australian inside Burma on Oct. 4.

According to Burmese government television, Jean-Philippe Courreges-Clercq, 28, of Paris, was killed when about 150 Karen rebels attacked a Burmese military outpost in the Oaia area near the Thai border.

The Australian, identified as Martin Donnelly, 26, alias Sonny Wingate, of Perth, suffered a shrapnel wound in the head and was being treated in a Thai hospital. Thai authorities said he was wounded when Burmese troops attacked a Karen rebel base inside Burma about 14 miles (22 kilometers) north of the Thai border town of Mae Sot.

Both had identified themselves in the border area as members of the French volunteer medical organization, *Médecins Sans Frontières* or Doctors Without Borders, according to the Thai authorities. The French group's office in Bangkok strongly denied providing any assistance to mercenaries.

According to Western diplomats and relief workers, as many as a dozen mercenaries have been reported fighting alongside the estimated 4,000 guerrillas held by the Karen National Union.

The Karen deny that they are paying foreigners, some of whom are described by diplomats as young idealists searching for a cause. Thai leaders wish to remain neutral in the Burmese conflict, and are against mercenaries operating from their territory.

The Karen, the largest of at least nine ethnic minorities battling the Burmese government, began their struggle a year after Britain gave Burma independence in 1948.

They were disappointed at being denied their own autonomous state after having fought for the British against the Japanese during World War II. They launched a little-reported, lonely insurgency to gain control of a homeland consisting of a 750-mile strip of Burma along the Thai border.



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ARTS / LEISURE

Alaïa's Body-Hugging Contours Shape the Scene

By Hebe Dorsey
International Herald Tribune

PARIS—The body is the strongest signal so far out of the Paris collections. The champion of the look is Azzedine Alaïa, who is putting the finishing touches to a small collection of 30 models that he will bring out only next week because he is not ready.

His influence is worldwide, but this quintessential artisan is still

PARIS FASHION

boning up the ultra-sexy look that is now so widely copied.

"I don't believe in revolutions," he said in an interview on Monday at his workshops in the Marais.

Few people know that Alaïa used to design for the Crazy Horse Saloon, where he may have picked up the electricity and sexual fantasy behind strip-tease costumes. This may well be the secret of his success. Somewhere, at the subconscious level, men and women are strongly reacting to it.

His most exciting new dress is cut even closer to the figure. Made of red, shiny acetate, it is laced up and down one side and will be worn by one of his models at the fashion

Oscars' awards at the Opéra next Wednesday.

Meanwhile, the atmosphere was heavy at Chanel's on Monday as people wondered if this was going to be Karl Lagerfeld's last collection—or just a tempest in a teapot.

Nothing seeped out of the Chanel executives, who were all there with Kitty d'Alessio, president of Chanel USA, sitting on the right of the chairman and owner Alain Wertheimer. D'Alessio, whom Lagerfeld held responsible for the rift, said: "We just have to be dignified. Everything will end up fine."

Wertheimer, who had meetings with Lagerfeld until 2 A.M. the night before the collection, was noncommittal. But Lagerfeld did not show up on the runway after the show because, a friend of his said: "This battle is not over."

In terms of dollars and cents, Lagerfeld has been a huge asset to the house of Chanel. According to Michel Pietrini, president of Chanel perfumes, the couture line went up by 30 percent from 1983 to 1984 and the ready-to-wear by 35 percent.

Politics aside, Lagerfeld, who is reportedly being paid \$1 million per collection, delivered a perfectly lovely, lean and sexy collection that should raise his stock with the company even higher. He keeps re-inventing the Chanel look, and this collection was one of his best.

What he did Monday was to use Coco Chanel's motto, "Less is better," to the letter. Keeping the bare essentials of the look—the gold buttons, the chains, the jersey—he has renovated it until it is now familiar, yet different. The famous Chanel hemline has disappeared and was replaced by flared shorts, minis and long skirts.

Lagerfeld threw out heavy tweeds and put his chips on jersey and cotton poplin. This, alone, made the look lighter and younger. He also killed the border braiding.

Sistine Restorers Uncover 'New' Michelangelo

Compiled by Our Staff From Dispatches

NEW YORK—Art conservators cleaning the ceiling of the Sistine Chapel said they have discovered a "new" Michelangelo: not just a great sculptor but one of the most revolutionary colorists in the history of Western art.

At a news conference, members of the restoration team announced their findings, showing film footage from the 12-year project, now in its fifth year.

Using special solvents and scientific techniques, the team has removed layers of dust and dirt, as well as glue and paint applied by earlier restorers, according to Walter Persegati, director of the Vatican Museums in Italy.

The dirt came from candles and open burners once used to heat the chapel, he said. The glue was applied by restorers, probably in the 18th century, to brighten the dirty frescoes, which it did briefly before turning even dirtier, art historians say.

"By removing the coat of glue and dust we have found colors we never knew were used," Persegati said. "Through our cleaning, a new Michelangelo appears—with full brush strokes and bright color."

Kathleen Weil-Garris Brandt, an art historian and professor at New York University's Institute of Fine Arts, said she discovered after the cleaning a previously unnoticed self-portrait of Michelangelo, as David Gillingham Goliath, painted around 1509-10. She said the self-portrait matches a painting by Raphael of a philosopher known to be a portrait of Michelangelo.

The cleaning project began in 1980, and the first phase—to clean 14 lunettes, or crescent-shaped frescoes above the windows—is complete, said Persegati. Restorers have moved on to the second phase, the ceiling, which will take four more years, he said. The last phase, to clean the "Last Judgment" behind the altar, will take another four years, ending in 1992, he said.

The cleaning is being funded through an agreement with Japan's Nippon Television, which paid \$3 million for exclusive rights to document the restoration. (AP, UPI)

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Bobby McFerrin: 'My instrument is my body.'

Finding a New Route Through Jazz

By Michael Zwerin
International Herald Tribune

PARIS—Bobby McFerrin walked through the lobby of his hotel accompanied by a falsetto singing voice. At first it did not appear to be his, his lips were not moving. Puzzled, the desk clerk looked up and around and, finally pinpointing the origin, smiled at him. Bobby McFerrin is a smile manufacturer.

Asked if he was aware that he had just been singing, he replied: "No. It's automatic by now. It's just what I do all day. My performances are simply walking through lobbies."

Along with a bright group of young stars like Wynton and Branford Marsalis, Michel Petrucci and Stanley Jordan, McFerrin, 35, is proving that jazz can continue to renew itself. But his star is brighter than the rest, he is a constellation: he considers himself a "jazz" singer only to the extent that the word

describes "a spontaneous eruption from the heart and mind."

This voice can sound like a walking bass, a growling trumpet, a bebop saxophone, an opera singer, a Beatle, a female rhythm and blues singer, a lead guitar, an air by Bach, a solo by Thelonious Monk, or two of the above in tandem. Meanwhile he mimes, taps his feet, clicks his tongue, pops his lips and beats time tapping his hands against his chest. "My instrument is my body," he said.

He is not a classical musician, but he does some classical pieces. He is not a folksinger, but he sings some folk songs. He is neither avant-garde nor New Wave, though he may well do some of these. Although he performs alone, he is much more than a one-man band, and it is no mere performance. "The audience participates," he said. "It's me with them rather than me versus them." The audience is his instrument.

He calls for volunteers on stage, divides them into three sections, invents riffs for each and conducts the resulting counterpoint. Or he will climb from row to row asking the people their names and improvise melodies based on them. Before long, everybody is laughing and cheering. But no two concerts are the same, and he admitted, "Sometimes there are lapses. In that case I'll just sit there and with some ease I'll restore them know I can't think of anything to do next. I'll let the audience in on that too. We get out of it together."

He was writing plays at the age of 12. He admits that may have been a bit unusual, but he did not take it seriously enough to save the manuscripts. "It gave me something to do while I shut myself in my room. I was a loner. I was a shy kid and my self-esteem was pretty low. I listened to records and read a lot too. I've always been an avid reader. If I wasn't a musician I'd probably be a librarian."

Both of his parents are opera singers. His father, Robert, sang at the Metropolitan in New York before the family moved to Los Angeles; he was Sidney Poitier's voice in the film version of "Porgy and Bess." His mother heads the voice department at Fuller College, California. By the early 1970s, after attending Sacramento State college, Bobby was a professional pianist who worked with a dance troupe in Salt Lake City, accompanied the Ice Follies, and

sang four or five songs a night with top-40 bands in Hilton Hotel and Holiday Inn lounges. Then he began to see "this image of myself on stage alone. This image of solo voice kept re-appearing. I couldn't deny that image. I just had to explore it."

He led his own combos but sang four or five songs a capella each evening. The comedian Bill Cosby discovered McFerrin. He worked the Playboy, Kool and Berlin jazz festivals; toured with George Benson, Grover Washington Jr. and Herbie Hancock. With his explosive and lucid optimism, he is in demand on TV and radio talk shows. He won the Down Beat magazine critics' poll.

From the beginning he has related to music as "a form of meditation. Singing makes me less anxious. It is the quickest way I know to quiet myself down, to carry me to the spirit. Riffs are my mantras." Now that he travels first class and works more often for better prices, as he leaves an ever brighter trail, he will need his mantras. There will be the temptation to go directly for the bottom line, to take fewer chances.

On the other hand improvising is second nature, firmly implanted in his everyday life. "If I have to go to the same destination two days in a row, I take different routes. If I sit twice in a café, it will be at different tables. If I go to the same restaurant, I don't order the same dishes."

There are collaborative projects—a jazz version of Bach's Magnificat in Toronto, with Manhattan Transfer and Weather Report, an improvised soundtrack for a children's film of Rudyard Kipling's "Just So Tales"—but solo singing remains the undeniable image.

"It's such an adventure. You're not getting information or support from anyone else. You are never sure what's going to happen. Sometimes I'll try to direct a piece to go a certain way, but somehow the unconscious peeps around the corner and it ends up going somewhere else. I'm fascinated watching the process. I just try and get out of the way so it can develop on its own."

Bobby McFerrin will sing solo at Jazz Jamboree, Warsaw, on Oct. 24; play the role of Merlin in George Gruntz's musical theater piece "The Holy Grail of Jazz and Joy" in Graz, Austria, on Oct. 28, 29. He sings solo in Lyon on Nov. 1.

New York Auctions Audubons

The Associated Press

NEW YORK—The auction of a set of hand-colored prints by John James Audubon earned the city of New York \$1.6 million to launch a new fund to educate the public about the city's history and archives.

The 435 prints in "The Birds of America" sold for \$1,761,842 at Sotheby's (including the auction house's 10-percent surcharge to buyers). The auction house waived the 10 percent that it usually takes from the seller, in this case, the city.

The city bought the set from Audubon's family for \$1,000 in 1850, a year before the artist died. For the last eight years it had been stored in a vault in Albany because the city's archives lacked display space. Six other sets are owned by institutions in the city.

Money from the sale will be used to start a trust fund, with the interest earmarked for education, said Eugene J. Bockman, commissioner of records and information services, who administers the archives.

A pilot program already begun shows students videos on city history, based on archival material dating from the Dutch administration in the 17th century.

The highest price paid at the auction was \$35,200 for the Carolina Parrot, said Susan Pinsky, a print expert at Sotheby's.

which has definitely had it. The result was Chanel without starch.

There are a lot of new Chanel suits to replace the old classic. The most important is the peplum suit, with tiny pleats under a strong belt. Another, navy or black, has one long single lapel, faced in white. Another still has a long fitted jacket.

The newest evening wear was a romantic taffeta interpretation of

James Tissot, a turn-of-the-century painter. Lagerfeld kept embroidery down to muffled gold mesh over ivory shantung suits.

New accessories, for which Frances Stein was not given official credit in the program, included plastic chain belts, instead of the familiar golden ones, and tiny quilted bags, so small they were worn around the neck.

Black and white and navy and white were the key colors of the collection, followed by tender peach, shrimp and a bright daffodil. The most unusual evening group was in gray taffeta.

If Lagerfeld leaves Chanel, Sonia Rykiel should take over. The knits accented by gold buttons, which were the best part of her collection, were so strongly influenced by Chanel that it was hard sometimes to tell the collections apart.

Rykiel has a limited but successful range, which begins and ends with knits. She had a sweet hand with jersey, two-piece costumes, their short tops snugly curving over long and loose pajamas. Her jersey dresses, all black with bright collars, were also pretty, with an inguine feeling. Her color sense, especially the powdered pastels, were a pleasing sight after masses of black.

At Dior's, things are changing but not exactly improving. This house, whose ready-to-wear has

been one long big fumbling story, has now turned over their designing to a young American, Bruce Hunter, who used to work at Milan Schon, in Milan.

The best thing one can say about this collection is that it was together, instead of all over the map, as was the case last season when it was designed by several people. The couture designer, Marc Bohan, who was at the show, went around saying he had nothing to do with it.

The most forceful look was the V-shaped suits and coat-dresses at the beginning with a flicker of hope brought about by a black and brown striped look, inspired by the American Wild West. But too much of this collection was inspired by, again, Alaïa. Accessories, including black hats equipped with mourning veils, were dismal.

Everybody is talking about the fashion Oscars to be awarded next Wednesday at the Paris Opéra. The idea, according to Jacques Mouchier, president-delegate of the French Chambre Syndicale, came from the minister of culture, Jack Lang.

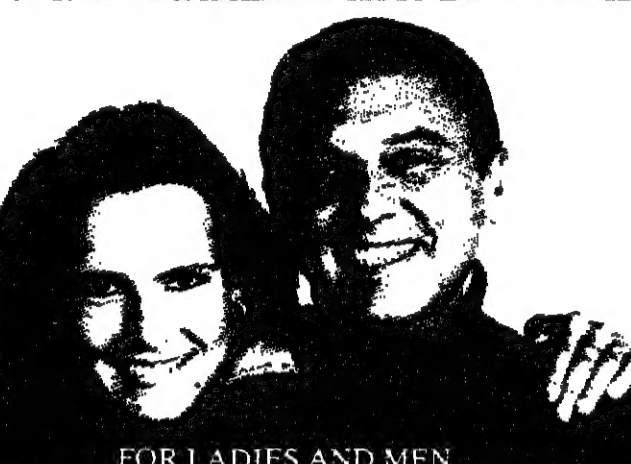
The purpose of the operation, he said, is to give prestige to French ready-to-wear. So far, all it has given poor Mouchier is a headache. The backbiting and cross-firing has been awful, he said, as people try to work their way into the Oscars.



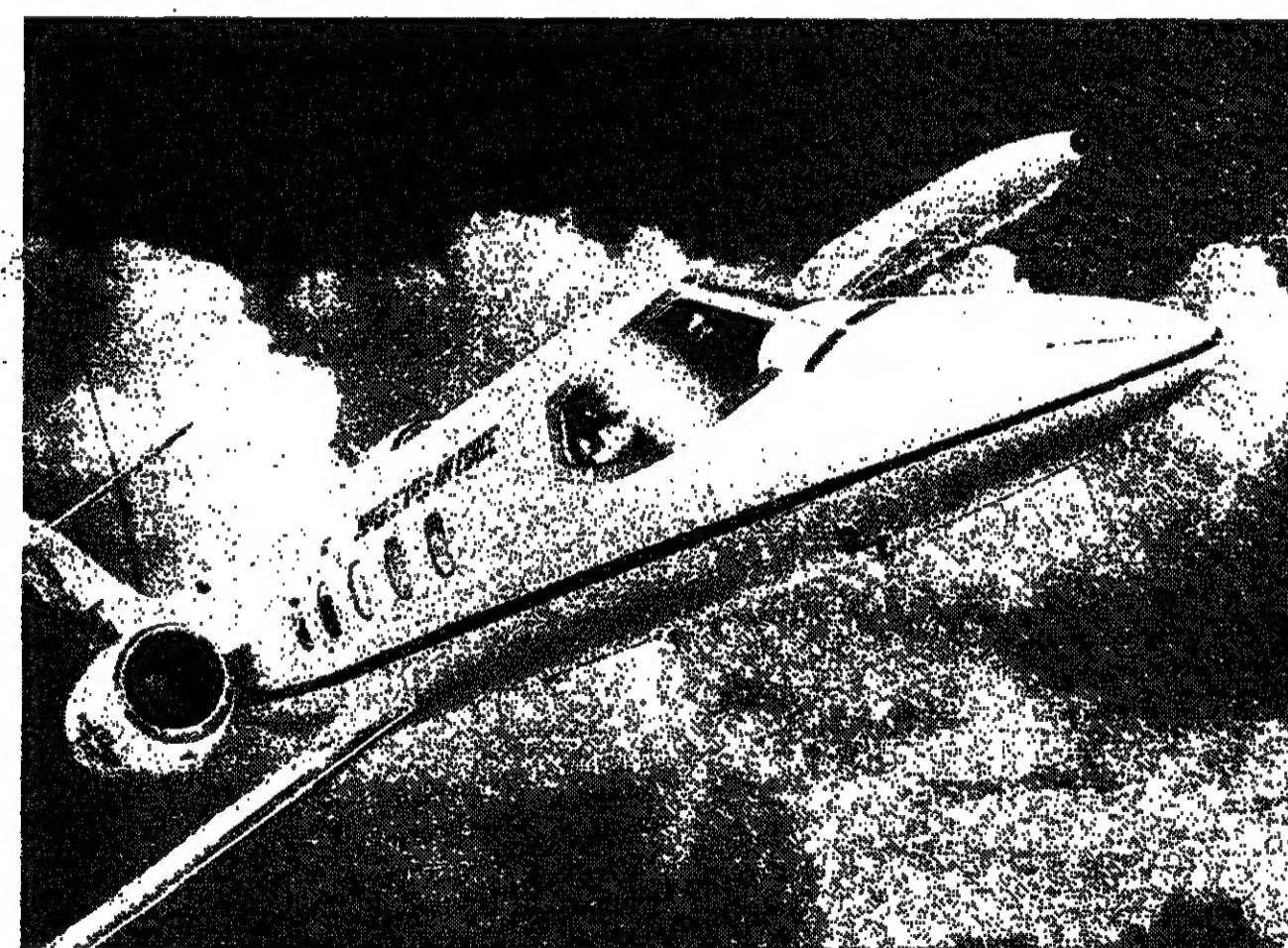
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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

The Strategy for Britain

Britain has a mania for examining its economy and disliking the result. With 13.5 percent of its workers unemployed, repeated social disturbances and decaying buildings and communications (the newest motorway cracked before it was opened), disgruntlement is understandable. North Sea oil profits seem a palliative, at best.

The picture is not all bleak. The Thatcher government has seen inflation fall from 20 percent to around 5 percent a year, and trade union behavior has become more moderate. The argument that all this has been obtained at too high a cost is suspect; continued hyperinflation might well have made unemployment worse than it is today. Another bright spot is the buildup of investment overseas. The left laments that the capital was allowed to flow out, but the investment is already bringing in a useful flow of income, which will be essential when, sometime in the decade ahead, Britain reverts to being a net importer of oil.

At a more technical level, the government is changing — for the better — the way it uses monetary policy to balance the economy. Instead of seeking primarily to control the growth of a shaky definition of the money supply, it will nudge short-term interest rates up or down in the light of inflation and the exchange rate. The authorities are going to look more directly at the real world in which business and labor operate, and are thus moving away from an approach that gave monetary policy a bad name.

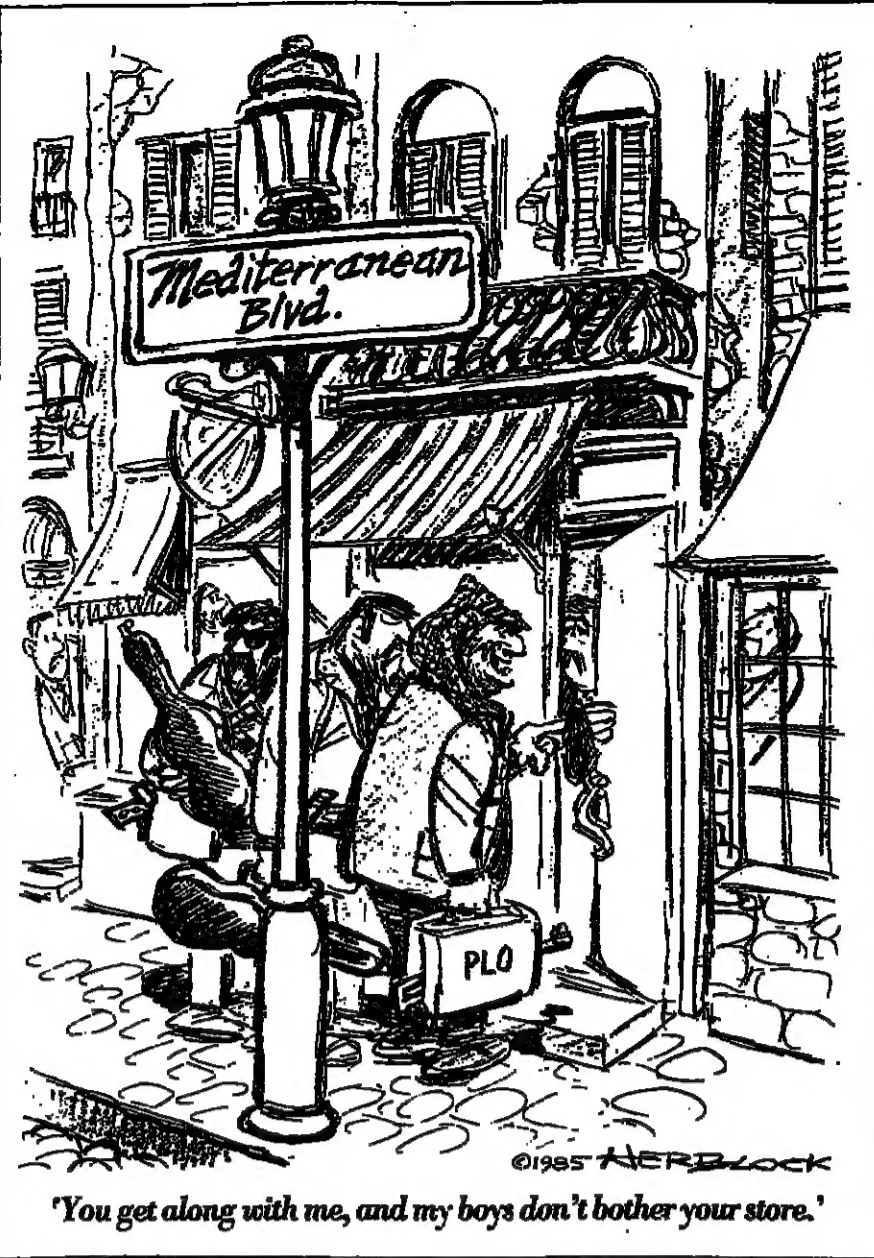
Can the authorities act more forcefully on the real world of unemployment? The government preens itself on the new jobs creat-

ed since its inauguration. But the labor force has grown much faster than the new jobs. Cries of dismay come from the House of Lords, where the professionally successful have taken over from the nobility. As the oil runs out, even worse joblessness is feared because Britain will not have enough industry to pay its way. Certainly, deindustrialization is in process. Manufacturing is no higher than when Margaret Thatcher was elected six years ago. It is the service sector, apart from oil, that has supported the economy.

The problem can be exaggerated. The switch has come because people want Britain's services more than they want its goods; and when the oil gives out the pound will become more competitive. But there could be an awkward gap before industry revives. The industrial base is weak — not, as the OECD points out, because capital expenditure has been low but because it has been inefficient. It takes more investment to boost output in Britain than elsewhere. This is an old problem, linked to the traditional reluctance of Britain's best to go into industry.

Britain's ills — and moans — might recede if government policy encouraged demand to grow a bit faster. But it would be disastrous, as France and Greece have found, to try to go it alone. Britain should be urging a mild but broad boost to demand in all the stronger European countries and Japan — a concerted approach in which it could participate modestly. If this sort of coordination remains out of fashion, British convalescence will at best be slow.

INTERNATIONAL HERALD TRIBUNE



Managua's Sandinist Regime Shoots Itself in the Foot Yet Again

By Tom Wicker

NEW YORK — The Sandinist government in Nicaragua was already a heavy burden to bear for those North Americans who consider it illicit and unwarranted for the United States to intervene militarily in the affairs of Central American nations. Now Managua's heavy-handed suspension of civil liberties has made that burden much harder to bear.

The Sandinist government is admittedly Marxist and closely allied with Cuba and the Soviet Union. But Nicaragua is a weak and impoverished country that poses no discernible threat to the United States, other than in President Reagan's nightmares. Its threat, if any, to other nations in Central America — certainly to the Panama Canal — could be countered easily by U.S. military assistance and guarantees.

Since the Sandinists came to power, Nicaragua has not been a democracy — nor was it ever, except comically, under the autocratic and sometimes despotic Somoza regime so long supported by the United States. Human rights abuses chargeable to the Sandinists are in no way comparable to those that the Somoza regime perpetrated, or to those of South Africa; and they are surely no worse than those under other governments that the United States has

found acceptable — in South Korea, for instance, or in Chile or the Philippines.

Nonetheless the Reagan administration has maintained — and there is some evidence to suggest that it created — a military insurgency: the so-called "contras," heavily armed and trained by the United States, that operate from sanctuaries across the border in Honduras. All but openly, the administration has conceded that its aim is to overthrow, or at least to "change the form" of, the Sandinist government, which it pictures not only as a threat to its neighbors but as a regime bent on extending Marxist revolution and Soviet power north to the Rio Grande.

It is this overwrought attitude and the administration's resulting attempt to overthrow a government it does not like that many Americans, and most Latin American nations, have strongly opposed. Most do not admire the Sandinists or the regime they have created; but they deplore this new example of lawless U.S. intervention in a region where gringo dominance, backed by military muscle has often been detrimental to the well-being of the region's people. The Sandinists have sought occasionally to

The Challenge for Diplomacy Is Getting There Ahead of the Fire

By James Reston

WASHINGTON — The managers of diplomacy here in Washington deal with immediate things the way fire departments and police departments do: not with the causes or the prevention of fire and crime, but, as best they can, with extinction and punishment.

Thus if terror is one day's foreign policy problem, Washington approves Israel's bombing raid on the PLO headquarters in Tunisia, or sends U.S. military planes over the Mediterranean to intercept an Egyptian plane carrying the Palestinian thugs who hijacked an Italian ship and killed an American citizen.

That type of response is standard operating procedure for a police or fire department, and it is popular at home. But not in Egypt, which is vital to the Reagan administration's larger objective of peace in the Middle East, or with the Italian government that took chances to support U.S. nuclear defense against Moscow's threat to the security of Europe.

The State Department has now been trying to deal with the consequences. It sent Deputy Secretary of State John C. Whitehead to Cairo and Rome to ease the tensions that have resulted from these military actions.

At the same time, the president sent his personal friend, Senator Paul Laxalt, to Manila to try to put out a smoldering fire in that country. In both cases the result has been to minimize the influence and authority of U.S. ambassadors in Manila, Cairo and Rome.

Nobody will blame the president for trying to put out fires; many even admire him for the military skill that brought about the arrest of the hijackers of the Italian ship. But the larger problem remains. For years, U.S. governments have been minimizing the causes of foreign policy crises, dealing with military insurrections in Latin America, the Philippines and the Middle East, trying to deal with every crisis wherever it breaks out. You can admire this attempt, but not the judgment that Washington can intervene in every conflict.

We have known here in Washington for a long time that the Palestinians had a valid

grievance in the Middle East, and that the Marcos regime in the Philippines, apartheid in South Africa and hunger in Central America and particularly in Mexico were the causes of rebellion and a threat to order and even to vital U.S. interests. But we went along until these human disasters broke out into violence.

This is not hard to understand. Even if you don't deal with the causes of the fire, you have to try to put it out. But it is increasingly clear that there is a limit to what the United States can do to deal with human tragedy all over the world. It needs a philosophy and a sense of world order about what it can reasonably do in its own interests and in the present crisis of world political, economic and military affairs. On this point there is confusion in Washington in the Reagan administration and in Congress.

It might be useful to listen to George Kennan, probably America's most thoughtful and experienced foreign policy philosopher. Now in his 80s, Mr. Kennan wrote, as a duty and maybe, as he said, "in one last breath," about his long experience in U.S.-Soviet affairs: "We should approach the problems of foreign policy with a relative humility, bearing in mind that our resources are finite and that we are faced with certain urgent and difficult but limited tasks, the successful accomplishment of which is essential to world security and to our own; that we must concentrate on the performance of these tasks if we are to have any chance of completing them; that we cannot, for this reason, afford to dissipate our attention, our energies and our resources on those dreams of world betterment, that pursuit of global involvement and authority and that moralistic posturing which are so congenial to the American political temperament and to the rhetoric of our public life."

This may be, as Mr. Kennan would concede, a voice from the past. But he insisted that Americans should be thinking about the causes of human conflict and not about the militaristic ways of dealing with the consequences.

The New York Times

Cheering for Volcker

They cheered Paul Volcker the other day when he said he was not leaving the chairmanship of the Federal Reserve Board. Confirming rumors that the White House wanted to shunt him off to the World Bank, he told a Washington meeting of foreign financiers that, when asked, "my answer was no." It was the right answer for a mischievous question.

Presumably the question was posed, or floated, by Donald Regan, President Reagan's chief of staff. It must have seemed a brilliant match of desire and need — desire to rid Mr. Volcker's strength at the Fed, and need for a strong new president at the World Bank.

The chairman of the Federal Reserve is a presidential appointee for a statutory four-year term, starting whenever he is named. Mistis can be removed, but it is not done lightly. Presidents commonly wish it were otherwise; they want more responsive people in this critical post. Even Mr. Volcker thinks it might be better if the chairman's term expired within a year after a president is sworn in.

President Carter, desperate for a strong figure, picked Mr. Volcker in 1979. Then president of the Federal Reserve Bank of New York and formerly a ranking Treasury official in the Johnson and Nixon administrations, he brought a formidable reputation that keeps growing. Mr. Regan felt compelled to reappoint him in 1983, despite the misgivings of his then secretary of the Treasury, Mr. Regan.

Mr. Regan had been overshadowed by Mr. Volcker's alertness to Latin America's debt crisis and deftness in mobilizing global resources to avoid disaster. Mr. Volcker was also a political embarrassment. He directed a tight credit policy that brought high interest rates and the worst recession in 40 years, and he kept harping on budget deficits.

The administration let Mr. Volcker take blame for high interest rates and recession, although it supported the credit squeeze and claimed responsibility for its success in wringing out inflation. But it deeply resents Mr. Volcker's focus on those deficits. Mr. Regan likes to pretend that they have no connection with high interest rates or the overvalued dollar and its consequences — a record trade deficit and resurgent protectionism.

Mr. Volcker holds his job without arrogance. A highly dedicated public servant, he understands that his independent course contributes mightily to financial stability at home and abroad. The president's chief of staff may wish him out — or at least challenged by Reagan appointees to the board, who will form a majority after two new nominees are confirmed. But Mr. Regan ought to reflect on those cheers. They mean that high-handed attempts to assert White House control over the Fed will both embarrass the president and shake confidence in America's economy.

— THE NEW YORK TIMES.

Backward in Nicaragua

The Sandinists have gone back to the Cuban type police-state rules they suspended last year during the election period, when a hint of openness to pluralism was deemed convenient. Even in the interval, arbitrariness and repression were common. Now the totalitarian core of their philosophy is out in plain view.

For this turn the Sandinists blame the "contras" and their U.S. supporters, claiming that the elements they are clamping down on serve enemies of the revolution. The Nicaraguan regime's credibility, however, is low. Facing a crisis, the regime could have moved to reconcile the nation. Instead, the Sandinists have increasingly alienated Nicaraguans living under their rule and refused to countenance any dialogue with those Nicaraguans who — many of them, anyway — were driven to take up arms by the Sandinists' repudiation of their own revolution's democratic promise.

In a perverse way, the crackdown seems to be a more reliable index of popular feelings in Nicaragua than the tilted elections that the government ran last November. Certainly it represents an authoritative government view of its standing among the people.

One result of the sweeping new restrictions

is bound to be to make life more miserable for Nicaraguans. Another likely result of closing out what opportunities existed for peaceful and legal opposition will be to channel resistance into armed struggle. The Reagan administration had been contemplating how best to obtain the next slice of aid to the "contras." It has now been given an enormously useful ready-made case to take to Congress.

From the administration's point of view, however, a large cloud remains on the horizon. Reports persist that leading democrats in the Nicaraguan opposition are distressed by the place in its ranks of followers of the former dictator, Anastasio Somoza, and by the human rights abuses still being reported. The Reagan administration's efforts to clean up the contras evidently have a good way to go.

The unhappy truth of Nicaragua is that each side has an investment in the other's bad behavior. The Sandinist crackdown plays into the hands of the contras, whose excesses suit the Sandinists. Both ways, the Nicaraguan people are the losers. A reconciliation of all Nicaraguans prepared to live with each other remains the only decent way out.

— THE WASHINGTON POST.

Nice Postwar Weather Would Console Whom?

By Daniel S. Greenberg

WASHINGTON — The ongoing debate over whether nuclear war would be followed by a nuclear winter might ordinarily be dismissed as merely an exercise in strategic pedantry. Behind it, of course, is the question of whether the bomb is even more horrific than it was thought to be. But the fact that there is a debate at all merely reflects a generally complacent acceptance of weapons that can, after all, end the world, with or without an ensuing chill.

The technical issue that divides the controversialists is whether nuclear blasts would be followed by clear skies and sunshine or instead by sun-blocking smoke and soot that would compound the disaster with a global deep freeze.

Sensible people, of course, long ago concluded that even in its most

temperature effects, target areas and so forth to arrive at any firm conclusions concerning the atmospheric consequences of nuclear war. So it was that Mr. Sagan and company drew jeers from one of the world's pre-eminent scientific journals, *Nature*, whose editor insisted that more research was needed before the nuclear winter case could be evaluated.

With its bountiful bankroll, the Pentagon financed just that, by engaging the National Academy of Sciences to look into the problem. The academy appointed a committee of 18 scientists and they in turn consulted 29 others. The committee's conclusion, announced earlier this year, was that nuclear winter might happen but existing scientific knowledge was insufficient to provide a sure answer. It recommended more research.

Meanwhile, the arm-to-the-teeth camp responded that the nuclear winter thesis was unproven and, anyway, that it looked like a peaceful contrivance, since the Russians had incorporated it into their arms control propaganda. A recent article in the *British Journal of Strategic Review* asserts, "The hypothesis of a 'nuclear winter' rests on this far inconclusive evidence." It bizarrely adds, "Perhaps conclusive 'proof' can only come in the event of the already prohibitive catastrophe of nuclear war." From this it proceeded to the conclusion that to the extent that nuclear winter may ensue from nuclear war, the solution is to proceed with President Reagan's "star wars" program.

Writers from the Rand Corporation, a leading think tank, chimed in with the proposition that if nuclear winter would indeed follow nuclear war, a sneak pre-emptive attack, no matter how successful, would backfire by freezing the attacker, too. There was also a suggestion for redesigning nuclear weapons to minimize the soot and smoke they would send skyward.

This is all rich stuff for nuclear scholastics — and perhaps, too, for devotees of dark comedy. Others who look on are justified in reacting with appalled disbelief. Assurances of perfect spring weather to follow would not make nuclear war any more attractive, nor would final proof of the nuclear winter thesis make it any more unattractive.

The writer, a longtime observer of science and health issues in Washington, is editor and publisher of *Science & Government Report*, an independent newsletter.

Americans May Be Hooked on Africa

By Giles Merritt

BRUSSELS — One of the most far-reaching U.S. foreign policy moves this year may turn out to have nothing to do with "star wars," Central America or nuclear disarmament. It could be that it will be America's generous response to famine in Africa that most marks 1985.

For this is the year when the United States went into Africa, one of the few remaining areas of the world it had managed to stay out of. In the past Washington has been glad to leave much of Africa under the influence of the former European colonial powers. But three million tons of U.S. food aid have changed that.

The grain shipped as a humanitarian gift to the drought zones inevitably takes on a political character. Almost overnight the U.S. contribution in Africa went from little or nothing to about three-fifths of all the emergency cereal aid that has been pouring in from abroad.

With the European emergency food aid programs (1.8 million tons in 1984-1985) thus eclipsed, the United States is likely to be pulled into a dominant new role in Africa. The leading aid and development agencies are already trying to weigh the implications of America's involvement in the African famine problem.

Their experience is that emergency aid leads on to development aid, which is just a short step away from the quagmires of African politics.

The sacks of emergency grain and the "Reagan seed" may prove as sure a hook as President Kennedy's handful of military advisers in Vietnam.

Yet America's entry into the African aid picture is no bad thing. The outlook in black Africa's 20 or so

least developed countries is bleak, although not necessarily in the ways that television coverage has tended to suggest. Distributing grain to the starving is not the major problem.

Africa's difficulties are profoundly structural, and it has taken the horrors of famine to remind the industrial countries of their forgotten promises to help tackle such deep-rooted disadvantages as soaring birthrates and the absence of non-farm economic activity. African governments' prickly pride is partly to blame, but the West's efforts have yielded few results. Industrial output in developing Africa stands at only 1 percent of the world's manufacturing production, despite pledges by the rich nations 10 years ago to shift more industry to the Third World.

There is now a United Nations target to raise Africa's industrial output to 1.4 percent of global production by 1990. But deindustrialization is today almost as much a problem as deforestation or desertification. Even in comparatively prosperous West African countries like Senegal and Ivory Coast, foreign trade barriers and mounting indebtedness are provoking zero growth. In sub-Saharan Africa, the drift to the towns is not creating modern urban economies but nations of aid drones.

Africa's population will triple in size to 1.5 billion people by 2025 unless draconian birth control measures are urgently introduced. In temperate and well-managed agricultural economies like that of Kenya, the population explosion has canceled out fine achievements. By the turn of

the century there will be 127 million Africans living below the starvation line, as against about 70 million now.

The sort of help that the emergent nations have so far been getting from well-meaning Western sources is often a mixed blessing. Just how double-edged a sword outside aid can be is well illustrated by Mali, which for the last five years has been a test bed for a combined U.S.-European Community strategy aimed at restructuring its cereals sector and preventing the country from becoming indefinitely dependent on food aid.

Mali is a potential cereals exporter that has retreated back into subsistence farming due to administrative inefficiency and government intervention in the market for wheat, sorghum and maize. If the "miracle wheats" now being developed for African conditions are to banish hunger, say the experts, market mechanisms must be adjusted to favor producers rather than consumers.

The government liberalized the cereals market, and prices started to rise encouragingly. But now Mali is caught in a classic squeeze between the World Bank advisers and the International Monetary Fund, which is insisting on economic austerity so stringent that consumers cannot afford the higher food prices.

The arrival of the United States as a major player in Africa should help the shaping of a coherent development programs in the future. In the meantime, though, there is a risk that Africa's appetite for food aid could lead to it becoming a battleground for the U.S.-EC farm surplus trade war, instead of a target for development assistance.

International Herald Tribune

LETTERS TO THE EDITOR

Israel Can Do No Right

It is interesting to learn from Miles Copeland (*Letters*, Oct. 13), who appears to be well-educated and well-informed, that Israel is the most hated nation not just in our time but "in history." More hated than Iran, responsible for the deaths of hundreds of thousands of Cambodians, than the Sandinists, than even Hitler's Nazi Germany? It really does not seem to have made much difference that the Israelis, whatever their many mistakes, have made it a hallmark of their very existence to be governed by commonly shared principles of law.

Has Mr. Copeland, perhaps inadvertently, provided us with the reason why Italy has released Mohammed Abbas, the PLO official alleged to have masterminded the hijacking of the Achille Lauro? And is this also the explanation for the willingness of commentators to dismiss any PLO responsibility for the terrorist actions of Palestinian "splinter groups"?

But if hatred of Israel exists to the extent suggested, what can be the point of Israel making sacrifices (as it did with Egypt) in abandoning the Sinai in 1977) in exchange for pieces of paper that claim to establish peace relations with neighbors?

The terribly depressing conclusion is not that Israel's problems are caused by its retribution against those considered to be ultimately responsible for increased terrorism. It is rather that deeply imbedded hatred of this nation cannot be dispelled by Israeli government policies.

MARK L. COHEN, Paris.

David accords, United Nations resolutions and offers by successive Israeli prime ministers to negotiate without any prior conditions.

BILL OAKFIELD, Leicester, England.

Three African Graces

Apartheid is repulsive, but Mugabe's photo (*Oct. 17*) of the Herstige Nationale women in African costumes must be one of the most enchanting renderings since the three graces in Botticelli's "Primavera."

LEOPOLD KOHR, Salzburg, Austria.

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel.: (1) 747-1265. Telex: 612718 (Herald). Cables Herald Paris. ISSN: 0244-8052.

Directeur de la publication: Walter N. Trayer.
Ana Headquarters: 24-34 Haverhill Rd., Hong Kong. Tel.: 5-285618. Telex: 61170.
Managing Dir. U.K.: Robert MacKinnon, 63 Lang Lane, London W.C.2. Tel.: 836-4802. Telex: 263009.
Gen. Mgr. W. Germany: W. Lauerbach, Friedrichstr. 15, 1000 Frankfurt M. 71. (089) 729155. Telex: 41673.
S.A. au capital de 1,300,000 F. RCS Nanterre B 73202126. Commission Paritaire No. 61337.
U.S. subscription: \$322 yearly. Second-class postage paid at Long Island City, N.Y. 11101.
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FUTURES AND OPTIONS

OTC Contracts: New Weapon
In Battle of the Exchanges

By JAMES STERNOLD
New York Times Service

NEW YORK — More hoopla than business is expected this Friday when the alphabet soup of stock index products is thickened by the addition of three new contracts covering the over-the-counter market. The widely expressed view among brokers is that, for now, the new contracts may be of more importance to the exchanges in their competition for market share than for the investing public.

In that regard, the event is looked upon as having major significance in determining which exchange will emerge as the leader of the burgeoning stock index market.

Pending regulatory approval, which the exchanges expect to clear without trouble, the Chicago Mercantile Exchange, the Chicago Board of Trade, and the Chicago Board Options Exchange will start trading new contracts on Friday.

The Merc will start a futures contract on the Standard & Poor's index of 500 over-the-counter stocks, called SPOC. The CBOE is expected to start trading an option on that index. And the CBOT intends to begin dealing in a futures contract on the National Association of Securities Dealers index of 100 over-the-counter stocks.

There are three contracts on over-the-counter indexes already in existence. Two are offered by the Philadelphia Stock Exchange, which has both a future and an option. There has been no trading in the future for two weeks and options activity has been light.

The NASD has traded with some measure of success an option on its 100-stock index since the end of last month. "I can't blame the public for feeling overwhelmed by all of these new products," said John Wall, executive vice president of the NASD.

DOES THE PUBLIC want or need such an array of index products? Gerald Kuehn, head of options at Prudential-Bache Securities, was one of several experts who described the confusing blur of contracts as "too many products."

"There could be some retail potential in an over-the-counter index option," he said. "I wouldn't count that out. These can be volatile indices, and the speculator craves volatility. But you have to worry about overkill with all the contracts out there." He compared this proliferation to the earlier introduction of contracts on stock sub-indices, which were never a hit.

Jack Barban, director of futures at Gruntal & Co., said the new contracts could prove useful for mutual funds. "You're seeing more over-the-counter funds out there, and this will give them a way to hedge," he said. "But for the public, I don't think that this is an idea that has caught on, or will for some time."

The over-the-counter indexes will have to compete with the highly successful blue-chip index contracts that have established powerful leads: the Merc's future on the S&P 500 stock index and the CBOE's option on the S&P 100-stock index.

The competition among exchanges is reflected in another industry issue—the trading of stock options side by side with the underlying stocks. Currently, no exchange trades both a stock and the option on that same stock.

But the Securities and Exchange Commission has approved, at the urging of the National Association of Securities Dealers, a pilot program to allow such side-by-side trading. Mr. Wall of the NASD said the program was unlikely to start before late in the second quarter. The NASD must create an effective audit trail, or system for recording each stage of a transaction, for stock and options trading before it can begin.

There has long been concern that such trading would open opportunities for manipulation of the markets by floor traders that are not possible, for technical reasons, with the options traded separately. The pilot program is an attempt to test those theories, as well as the NASD's contention that it will make for a more efficient market.

Elders Bid
Rejected
By Allied

£1.8 Billion Seen
As 'Inadequate'

By Bob Hagerty
International Herald Tribune

LONDON — Elders Ltd. Ltd. of Australia announced Monday an offer of £1.8 billion (\$2.6 billion) for Allied-Lyons PLC in what many analysts saw as an effort to buy time for considering a higher bid.

Allied, a London-based food and drinks company, rejected the cash offer of 255 pence a share as "judiciously inadequate." Financial analysts here generally agreed that the Australian conglomerate's bid would have to be raised to more than £2.2 billion, or 320 pence a share, to win control of the British company.

"They're just testing the water for now," said John Spicer, an analyst at the stockbrokerage of Grivens, Grant & Co., who said he thought Allied was worth 340 to 350 pence a share.

On the London Stock Exchange, Allied shares closed at 270 pence, down 5 pence from Friday, as investors pondered whether Elders or another bidder would offer a higher price. Already, the bid is by far the largest ever in Britain.

Analysts were highly uncertain whether Elders, which already owns about 6 percent of Allied, could afford to raise its bid substantially and whether the British government would allow the takeover in any case.

Elders, a brewing, agriculture and finance company whose market value is about a quarter that of Allied, said last month that it was trying to line up one or more other companies to help buy and split up Allied. On Monday, however, Elders said it had decided to bid on its own. Many analysts read that as a sign that the company had been unable to find buyers for Allied's food interests on acceptable terms.

Some prospective partners demurred because of fears that the bid would be referred to Britain's Monopolies and Mergers Commission, analysts said. The commission would be expected to delay its action for six months or so while it investigated whether the takeover was against the public interest.

A senior London acquisitions specialist said the government might not allow a takeover so heavily dependent on borrowed funds. A rise in British interest rates could severely strain the combined company and jeopardize jobs, he argued.

As of June 30, Elders had debt of 605 million Australian dollars (\$426 million), compared with an equity base of 700 million dollars. To finance the bid for Allied, Elders has arranged to borrow about £1.2 billion from a group of eight banks led by Citicorp.

The company notes that it received bid rapidly after its acquisition of Carlton & United Breweries Ltd. in 1983. "We've done it all before," John D. Elliott, chief executive of Elders, said in an interview Monday.

Mr. Elliott, a former management consultant at McKinsey & Co., said he expected the bid to be successful.

Sears's Commitment to World Trade

Acquisition
Raises Hopes,
Despite Losses

By Caroline E. Mayer
Washington Post Service

WASHINGTON — In 1894, on the cover of one of its earliest catalogs, Sears, Roebuck & Co. proclaimed: "Our trade reaches around the world."

Ninety-one years later, the largest U.S. retailer seems more determined than ever to make the slogan come true through its three-year-old subsidiary, Sears World Trade Inc.

Despite substantial startup problems and great skepticism in the financial community, the subsidiary, which so far has been unprofitable, appears committed to becoming a serious player in the competitive and risky international trading market.

The latest sign of that commitment was the company's announcement that it had agreed to buy an 80-year-old European and East Asian trading company, Hagemeyer NV, for \$25 million. As a distributor of consumer products worldwide, Hagemeyer gives Sears World, based in Washington, the capability to have directly to reach foreign consumers.

With that ability, company officials hope, will also come the opportunity to become a full-fledged trading company.

The acquisition of Hagemeyer, with annual revenue last year of \$940 million, "gives some indication that our commitment is there," said Richard M. Jones, vice chairman and president-elect of Sears, Roebuck.

Despite the more than \$40 million in losses Sears World has incurred in three years, "we believe it's a viable concept, and we will continue to pursue it," Mr. Jones said. "It's an important part of the family of companies in Sears, Roebuck."

"We are quite confident we're on the right course," added Sears World's chairman, Frank C. Carlucci, in a recent interview. Giving



Frank C. Carlucci

en Sears World's initial troubles — which led to the resignation of its first chairman, Roderick M. Hills, 18 months ago — Mr. Carlucci and other top executives had been reluctant to talk about the subsidiary and its future.

But now confident that the Hagemeyer acquisition has put Sears World on a surer path to success, officials are beginning to speak out.

Initially, Sears World set out to be the U.S. challenger to world domination by Japanese trading companies. It drew up intricate plans to become a full-fledged international trading company, one that could arrange the financing, development, manufacturing and sale of a wide array of goods, often through Sears, Roebuck and its subsidiaries.

For example, Sears World once envisioned helping Indonesia develop its forest resources. In exchange, Sears would have gained permission to export logs to China, South Korea and Japan. Sears World planned to help China develop a pulp industry with the logs purchased from Indonesia. To accomplish that, the trading company would have sold China the pulp mill and the logs and then offered the pulp produced there somewhere else.

But those plans have been dramatically scaled back. Now Sears World's main goal is to be

a trader of the type of consumer goods for which Sears, Roebuck is known. "We were involved in too many activities and built a cost structure that couldn't be supported by revenues in the immediate foreseeable future," Mr. Carlucci said.

No longer a part of Sears World's plans are projects to import and export high-technology equipment, such as computers or components for computers. Also dropped was the goal of becoming a major international trader in health-care products, such as pharmaceuticals, chemicals and hospital supplies. Under this scenario, Sears World had planned, among other things, to equip foreign hospitals with U.S.-made goods.

"A number of these areas showed promise and were interesting, but we were engaged in too much; we needed to focus down on what we could do best," Mr. Carlucci said.

The company has also scaled back its global focus; now it is centering most of its attention on Europe, North America and Asia. Its interest in the Middle East, for example, has waned substantially. "We are not going to be everywhere, doing everything," one Sears official said.

Mr. Carlucci said, "We are a consumer-goods company. Once (Continued on Page 15, Col. 6)

Managers Offer
To Buy Out Macy
For \$3.58 Billion

Compiled by Our Staff From Dupatches

NEW YORK — A group of managers at R.H. Macy & Co., the 10th-largest retailer in the United States, said Monday that it plans to take the company private in a transaction worth \$3.58 billion.

Under the leveraged-buyout proposal, Edward S. Finkelstein, Macy's chairman and chief executive officer, Mark S. Handler, the president and chief operating officer, and other senior executives would pay \$70 a share in cash for the company's \$12 million shares outstanding, they said.

Trading in the company's stock was delayed on the New York Stock Exchange during the morning but resumed later in the day. By midsession it had soared \$17, to \$64.125.

News of the buyout plan touched off a rush for stocks of other department store chains. At midsession Dayton-Hudson Corp. was up \$1 to \$40.125, Allied Stores Corp. rose \$2.50 to \$39.50, F.W. Woolworth Co. gained \$2.375 to \$53 and Federated Department Stores Inc. rose \$2.375 to \$66.375.

The buyout is subject to the group arranging financing, the executives said.

Mr. Finkelstein and Mr. Handler said they would present the proposal to Macy's board after financing has been arranged. They said they have retained Goldman Sachs & Co. as their financial adviser.

In a leveraged buyout, a target company is acquired largely with borrowed funds that are paid off with the company's operating earnings or through the sale of its assets.

Macy said last month that its fiscal fourth-quarter profit plummeted 44.5 percent from the level of year earlier. Net income for the three months ended Aug. 3 came to \$24.85 million, or 48 cents a share, down from \$44.75 million, or 88 cents. For that period it reported a 3.1-percent sales gain to \$947 million from \$918.9 million.

For its fiscal year, the company reported a decline in net income of 14.6 percent to \$189.3 million, or \$3.69 a share, from \$221.81 million, or \$4.37 a share, the previous year.

Macy has expanded aggressively in the past two years into the Southern and Southwestern area of the United States, with some of the chain's most successful stores in Miami, Houston and Dallas. It once was concentrated in the Northeast and later opened outlets in the Midwest and West.

Wall Street analysts said that investors began buying the stocks of other retailers in the belief that the Macy offer could signal a chain reaction within the industry.

The analysts said that management's \$70-per-share offer was a stiff price, one that was intended to discourage anyone else from trying to acquire the retailer.

"Finkelstein is making the price so high to try to ensure that someone doesn't come in and scoop them," said William Smith, an analyst with Smith Barney, Harris Upham & Co.

"This is a lofty price for a company with an awful lot of debt and not such great earnings prospects," said Edward Johnson of Johnson Redbook Services. "The company snubbed its toe on earnings last year and has been beaten down by analysts and money managers. You go private and you go your own way."

He said it was possible that Macy could have received a quiet takeover offer and that the management-sponsored leveraged buyout was a defensive tactic. "It's not impossible, but the reverse could also be true and Macy was seeking as high a price as possible. Macy's would be hard pressed to say no if someone out of the blue offered to top Finkelstein's \$70-per-share offer."

Analysts said it is possible that Macy may sell its Midwestern division in order to help finance the buyout. (AP, Reuters)

Amoco's Net Falls 18%; Occidental's Rises 150%

Compiled by Our Staff From Dupatches

NEW YORK — Amoco Corp., the fifth-largest U.S. oil company, said Monday its earnings fell 18.3 percent in the third quarter from a year earlier, mostly as a result of falling oil prices.

But Occidental Petroleum Corp. said its third-quarter profit soared 150 percent from a year earlier, bolstered by a big tax break and the sale of some of its Colombian oil holdings.

Meanwhile, Ashland Oil Inc., the leading U.S. independent refiner of gasoline, reported it completed its strongest fiscal year since 1980. A year earlier, Ashland had a big loss as a result of a restructuring in which it disposed of many of its non-oil businesses.

Amoco, based in Chicago, said profit fell to \$490 million in the third quarter from \$600 million a year earlier. Revenue edged up 3 percent to \$7.2 billion from \$7.1 billion.

The improvement included a \$180.9-million gain from federal

operating earnings from oil and natural gas production at Amoco fell 28.9 percent in the quarter to \$353 million from \$496 million, mostly because crude oil prices had declined and production fell.

For the first nine months of the year, earnings fell 9 percent to \$1.56 billion from \$1.72 billion. Revenue fell 2 percent to \$21.5 billion from \$22 billion.

Per-share earnings did not fall as far as net because of Amoco's stock buyback program. In the third quarter, per-share earnings fell to \$1.87 from \$2.14, while for the first nine months of 1985, they dipped to \$5.91 from \$5.98.

Amoco's chairman, Richard M. Morrow, said the erosion in third-quarter profits reflected the effects of weaker crude prices and greater foreign currency translation losses.

Occidental, based in Los Angeles, said profit in the third quarter jumped to \$381.7 million from \$125.9 million a year earlier.

The improvement included a \$180.9-million gain from federal

income tax benefits carried forward from an earlier capital loss to offset gains this year. Also during the third quarter, Occidental sold half of its interest in a new, rich oil field in Colombia for \$1 billion to the Royal Dutch/Shell Group.

Sales in the quarter fell 12.8 percent to \$3.4 billion from \$3.9 billion, reflecting a decline in oil prices.

"While the reduction in crude oil prices continues to have an impact on the industry overall, I am particularly pleased that Occidental has reported significant improvements for the quarter and year to date," said Dr. Armand Hammer, the chairman of Occidental.

For the first nine months of the year, earnings rose 67 percent to \$645.3 million from \$384.5 million a year earlier. Revenue fell 7 percent to \$10.8 billion from \$11.6 billion.

Earnings per share, which were reported on a fully diluted basis, rose to \$3.04 in the third quarter

from 90 cents a year earlier and climbed to \$4.30 for the first nine months of the year from \$1.89.

Ashland reported a profit of \$46 million, or \$1.34 a share, on sales of \$2.2 billion in its fiscal fourth quarter, which ended Sept. 30. Gains from its gasoline business, helped by lower prices for crude oil and stable gasoline prices, led the improvement from a year earlier, when Ashland had a \$241 million loss on sales of \$2.3 billion.

Ashland said it earned \$147 million, or \$4.12 a share, in the full fiscal year, against a loss of \$172 million a year earlier. Revenue fell 3.5 percent to \$8.2 billion from \$8.5 billion.

In the final quarter of the 1984 fiscal year, Ashland took a one-time charge against earnings of \$271 million for expected losses and writeoffs related to the disposal of its non-oil businesses.

Without that charge, profit would have been \$30 million, or 79 cents a share. (AP, UPI)

Volcker Predicts
Long-Term Benefit
From Baker Plan

The Associated Press

NEW ORLEANS — Paul A. Volcker, chairman of the U.S. Federal Reserve Board, said Monday that Treasury Secretary James A. Baker 3d's plan for \$20 billion in new loans to debtor nations would mean long-term benefits for banks.

Mr. Volcker was in New Orleans to address a convention of the American Bankers Association and to outline the Baker plan to officials of the nation's largest banks.

Mr. Baker unveiled his plan earlier this month at the meeting of the World Bank and International Monetary Fund in Seoul. It seeks \$20 billion in new loans over three years to developing countries.

The proposal would require the borrowing countries to enact "fundamental economic change" to encourage private initiative as a means of sustaining growth, Mr. Volcker said. (AP, UPI)

Currency Rates

Cross Rates	Oct. 21
Amsterdam	2.37
Bremen (10)	2.37
Frankfurt	2.37
London (10)	1.04
Milan	1.79
New York (10)	0.67
Paris	6.55
Tokyo	163.00
Zurich	2.00
1 Swiss	1.36
1 USD	1.00

Other Dollar Values	Oct. 21
Argentine peso	1.00
Australian dollar	1.00
Belgian franc	1.00
Brazilian cruzeiro	1.00
Canadian dollar	1.00
Chinese yuan	1.00
Danish krone	1.00
French franc	1.00
German mark	1.00
Italian lira	1.00
Japanese yen	1.00
Netherlands guilder	1.00
Portuguese escudo	1.00
Spanish peseta	1.00
Swedish krona	1.00
Swiss franc	1.00
Thai baht	1.00
West German mark	1.00

Interest Rates

Eurocurrency Deposits	Oct. 21
1 month	8.00%
3 months	8.00%
6 months	8.00%
1 year	8.00%

Key Money Rates

United States	Oct. 21
Discount Rate	7.00%
Federal Funds	7.00%
Prime Rate	7.00%
Broker Loan Rate	7.00%
Com. Paper 90-120 days	7.00%
3-month Treasury Bill	7.00%
6-month Treasury Bill	7.00%
90-day Treasury Bill	7.00%
CDs 90-120 days	7.00%

U.S. Money Market Funds

Mutual Funds	Oct. 21
Mutual Fund	1.00%
Money Market	1.00%
Short-Term Bond	1.00%
Intermediate Bond	1.00%
Long-Term Bond	1.00%

Gold

Gold	Oct. 21
Spot	372.00
1000 oz. contract	372.00
100 oz. contract	372.00
10 oz. contract	372.00
1 oz. contract	372.00

West Germans Forecast 3% GNP Rise

BONN — West German gross national product is expected to grow by 3 percent in 1986 after increasing 2.25 percent this year compared with 1984, the country's five leading economic research institutes said Monday.

The 1985 forecast, contained in a half-yearly report, marks a slight downward revision from the 2.5-percent growth forecast in the institutes' spring report on GNP, which measures the total value of goods and services including income from foreign investments.

The trade surplus will widen next year to about 100 billion Deutsche marks (\$38.5 billion) from 80 billion DM this year, while the current account surplus will expand to 50 billion DM from 35 billion DM, the institutes said.

The current account measures trade in goods and services as well as interest, dividends and current transfers.

Average inflation next year is not expected to exceed 2 percent, the same as in 1985, the institutes said.

The number of unemployed will fall slightly to 2.25 million from 2.30 million next year, the institutes estimated.

Their report urged the government to bring forward the second round of a two-stage package of income tax cuts to 1987, one year earlier than scheduled, in order to bolster growth.

The first round, worth almost 11 billion DM, is to be introduced at the start of next year.

The institutes also recommended a 5-percent increase in the money supply during 1986. Such growth would be near the top of the Bundesbank's 3-5 percent growth target for this year.

The central bank traditionally sets its target range for the next year's money-supply growth in December.

While 1986 would mark the

fourth consecutive year of economic growth, the expansion lacks dynamism and there is no sign of any notable change in the tempo of recovery, the institutes said.

They added that the driving force behind growth would continue to shift from export demand to domestic demand next year, with private consumption likely to show a relatively strong rise for the first time since the early 1980s.

The institutes said their forecasts are based on the following assumptions:

- Trade conflicts and debt problems will not increase. World trade will grow by about 4 percent, the same as this year.

- The dollar will not show any considerable and long-lasting movements against the Deutsche mark. The mark will be revalued against most European Monetary System currencies next year.

- Bonn will hold to its 1986 budget plans, introducing the first round of tax cuts but no new measures to influence the economy.

- Unions will put more emphasis on higher wages than shorter working hours. Wage settlements will be higher.

Explaining the forecast for a decline in raw material prices, the institutes said that the weak world demand witnessed in 1985 would continue into 1986.

In addition, raw material consumption in industrial countries is unlikely to rise, they said.

Industries processing raw materials will probably continue their policy of keeping inventories low, and supplies of non-precious metals will remain abundant as producers try to improve plant capacity, the institutes said.

But they added that producer stocks of agricultural products such as cotton, wool and rubber are so high that an expected cut in pro-

duction of these materials will not restrict supply.

As for oil, crude prices are not expected to rise unless severe disturbances to supplies are caused by the Gulf war, the institutes forecast.

The institutes said they expected a rise in exports, already flattening out this year, to show a further slowdown in 1986. Next year's increase would be around 4 percent, in line with the expected rise in world trade, they forecast.

Imports would not rise by much more than exports, holding the real surplus in goods trade little changed.

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Minimum investment:
FF : 100.000

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	132.75	132.50	132.75	+0.25
AT&T	48.75	48.50	48.75	+0.25
GE	29.75	29.50	29.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25

Dow Jones Averages				
Open	High	Low	Last	Chg.
Ind. Ave.	1327.5	1325.0	1327.5	+2.5
Comp. Ind.	1327.5	1325.0	1327.5	+2.5
Transp.	1327.5	1325.0	1327.5	+2.5
Finance	1327.5	1325.0	1327.5	+2.5
NYSE	1327.5	1325.0	1327.5	+2.5

NYSE Index				
High	Low	Close	Chg.	Vol.
1327.5	1325.0	1327.5	+2.5	1.2
1327.5	1325.0	1327.5	+2.5	1.2
1327.5	1325.0	1327.5	+2.5	1.2
1327.5	1325.0	1327.5	+2.5	1.2
1327.5	1325.0	1327.5	+2.5	1.2

Monday's
NYSE
Closing

Vol. of 4 P.M. 95,480,000
Prev. 4 P.M. vol. 107,800,000
Prev. consolidated close 132,855.30

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

AMEX Diaries				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	1.25	+0.05	100	+10
Preferred	1.25	+0.05	100	+10
Common	1.25	+0.05	100	+10
Volume up	1.25	+0.05	100	+10
Volume down	1.25	+0.05	100	+10

NASDAQ Index				
Close	Chg.	Vol.	Chg.	Vol.
287.1	+1.5	100	+10	100
287.1	+1.5	100	+10	100
287.1	+1.5	100	+10	100
287.1	+1.5	100	+10	100
287.1	+1.5	100	+10	100

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25
Amgen	11.75	11.50	11.75	+0.25

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.

Shares End Lower in New York

NEW YORK — Share prices were lower Monday at the close of the New York Stock Exchange after a day of moderate trading.

The Dow Jones industrial average, which rose 0.45 Friday, setting a closing record, finished down 4.70 at 1,327.5.

Declines led advances by a 3-2 ratio among the 1,971 issues traded.

Volume amounted to about 93.8 million shares, compared with 107.1 million Friday.

Dennis Jarrett of Kidder Peabody said that though the market has rallied recently, its intermediate trend was downward.

"The market is becoming overbought," Mr. Jarrett said. "Though we would not be surprised to see positive upside action, the broader market indexes will not set new highs." He said prices will be lower three to six months from now.

"We have not been particularly pleased with the lack of leadership or the limited breadth of the market's advance," Mr. Jarrett said.

Other participants took a more bullish view. "The market is giving a good account of itself after its sharp runup last week," said Barry Berlin of Shearson Lehman American Express.

Mr. Berlin said the market was encountering "normal profit-taking" but that continued inflation and indications that corporate profits could be in early 1986 were constructive factors for the market's intermediate-term course.

He added that frequent takeovers and leveraged buyout underscore that many stocks are undervalued. The market's advance, he forecast, would broaden into a strong year-end rally.

Avon Products was near the top of the active list and down modestly.

Beatrice Cos. was lower. Its board unanimously rejected a \$4.9-billion bid from Kohlberg, Kravis Roberts & Co. Cincinnati Gas & Electric followed, up 1/4 to 18 1/2.

R.H. Macy climbed more than 16 points to 63 3/4. Members of the company's senior management intend to make a leveraged buyout proposal of \$70 for all Macy's shares.

Western Airlines was lower after a widely-read financial column said takeover speculation in the stock might be premature.

Texas Oil & Gas was easier in active trading. Union Carbide was down a bit. The stock has climbed recently on rumors that GAF, a large Union Carbide holder, might be increasing its stake in the company. Another rumored scenario, which Wall Street has called less likely, has talked about a leveraged buyout of Carbide at \$70 to \$75 a share.

Liton was lower after gaining more than 17 points last week. That advance occurred on rumors that General Electric and Schlumberger were interested in bidding about \$120 a share for the defense, electronics and oil equipment company.

Among other blue chips, General Electric and American Express were lower. Exxon was up moderately. United Technologies was off. Dow Chemical was up. General Motors was easier.

Among technology issues, IBM and Digital Equipment were lower. Cray Research was ahead.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div. <td>Yld.</td> <td>PE</td> <td>52 Wk. High</td> <td>52 Wk. Low</td> <td>Chg.</td>	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div. <td>Yld.</td> <td>PE</td> <td>52 Wk. High</td> <td>52 Wk. Low</td> <td>Chg.</td>	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div. <td>Yld.</td> <td>PE</td> <td>52 Wk. High</td> <td>52 Wk. Low</td> <td>Chg.</td>	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div. <td>Yld.</td> <td>PE</td> <td>52 Wk. High</td> <td>52 Wk. Low</td> <td>Chg.</td>	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Chg.
25%	100	80	Alcoa	1.00	3.50	14	100	80	+1
25%	100	80	Alcoa	1.00	3.50	14	100	80	+1
25%	100	80	Alcoa	1.00	3.50	14	100	80	+1
25%	100	80	Alcoa	1.00	3.50	14	100	80	+1
25%	100	80	Alcoa	1.00	3.50	14	100	80	+1
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12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
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12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High	Low	Stock	Div.	Yld.	P/E	52 Wk. High	52 Wk. Low	Chg.
12 Month	High								

كندا من الاموال

الهرالد تريبيون

Monday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued from Page 10)

12 Month High	Low	Stock	Div. Yld. %	PE	52 Week High	Low	Close	Change
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4

12 Month High	Low	Stock	Div. Yld. %	PE	52 Week High	Low	Close	Change
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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4

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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4

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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4

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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4

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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4

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22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4
22 1/2	22 1/4	Amstar	2.00	10.0	22 1/2	22 1/4	22 1/4	-1/4

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) Oct. 21, 1985

Fund Name	Assets	Share Price	Change
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4
Amstar	\$1.2B	22 1/4	-1/4

NYSE Highs-Lows

Stock	High	Low	Open	Close
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4
Amstar	22 1/2	22 1/4	22 1/4	22 1/4

Company Results

Company	Revenue	Profit	EPS
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20
Amstar	\$1.2B	\$0.1B	\$1.20

FIRST

In August 1985, Research Services Ltd. released a study of the reading habits of international financial managers in Europe. The study showed conclusively that more read Institutional Investor than any other magazine...including:

- The Economist
- Euromoney
- Business Week
- Fortune
- Time
- Newsweek
- Der Spiegel
- Le Nouvel Economiste

In fact, in virtually every category—from job responsibility of financial manager to industry to geographic location, the story remained the same: Institutional Investor ranked first.

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New Issue
October 22, 1985

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Institutional Investor

Lack of Bonn Funding Threatens Hermes Project

By Axel Krause
International Herald Tribune

PARIS — The continuing reluctance of West Germany to commit government funding could threaten the development of Hermes, a French-led space shuttle program aimed at providing European autonomy in the field of manned space, French and West German space officials said Monday.

Bonn officials said that, despite West German industry's support for Hermes, the objections stemmed from financial and political reasons.

On Friday, officials of the Centre National d'Etudes Spatiales, France's space agency, said that France's two leading aerospace companies, Aerospatiale, and Avions Marcel Dassault-Breguet, had been selected to lead the \$1.7-billion project, and the French government was prepared to finance 50 percent of the total costs. The government directly owns

75 percent of Aerospatiale's shares and 46 percent of Dassault's.

The remaining 50 percent of the project's costs could come from other West European governments which already have expressed interest in Hermes. CNES officials said, citing Austria, Belgium, Denmark, Ireland, Italy, Netherlands, Spain, Sweden and Switzerland.

However, no government has yet joined France in committing funds to Hermes. French and West German officials said Monday that Bonn's financial backing was crucial, along with important work-sharing in the development of Hermes by Messerschmitt-Bölkow Blohm GmbH, West Germany's largest aerospace company.

"You cannot accomplish anything important in European aerospace without the Germans, meaning mainly MBB, and for the time being they are staying out of Hermes," said a senior French aerospace executive.

Another expert, Frederic d'Allest, director general of CNES, said he was hopeful that West German participation would eventually total at least 15 percent.

For more than a year, Mr. d'Allest has urged that the European Space Agency not only develop its own European space station, known as Columbus, and a powerful new launcher, Ariane 5, but develop them as a package that would also include Hermes. The first two projects were approved at ESA's annual meeting in Rome on Jan. 31, but ESA declined to endorse Hermes and France proceeded on its own.

"Hermes, unlike other projects, has not yet been Europeanized, and until it is, the project is literally not off the ground," said a French industry executive.

Commenting on Bonn's reluctance to support Hermes, West German government officials said that there were no funds available in the 1986 budget and that West

Germany was already committed to playing the leading role in Columbus, whose costs will exceed an estimated \$2 billion.

"ESA projects currently represent about 180 million Deutsche marks (\$69.2 million) in our budget and we are not in position to start new projects now," said an official in the ministry of research and technology.

Several West German diplomatic officials expressed reservations about the possible future duplication of roles of Hermes and the space shuttle of the U.S. National Aeronautics and Space Administration. The officials also cited the possibilities that France may be planning a military role for Hermes.

Britain, already working on a space launcher known as "Hotol" that some say could supersede the Hermes/Ariane 5 launcher in the year 2000, has not made a firm commitment to participate in Hermes. British officials said Monday.

U.S. Futures

Oct 21

Month	Open	High	Low	Close	Chg.
Nov	110.00	110.50	109.50	110.00	+0.50
Dec	110.00	110.50	109.50	110.00	+0.50
Jan	110.00	110.50	109.50	110.00	+0.50
Feb	110.00	110.50	109.50	110.00	+0.50
Mar	110.00	110.50	109.50	110.00	+0.50
Apr	110.00	110.50	109.50	110.00	+0.50
May	110.00	110.50	109.50	110.00	+0.50
Jun	110.00	110.50	109.50	110.00	+0.50
Jul	110.00	110.50	109.50	110.00	+0.50
Aug	110.00	110.50	109.50	110.00	+0.50
Sep	110.00	110.50	109.50	110.00	+0.50
Oct	110.00	110.50	109.50	110.00	+0.50

Month	Open	High	Low	Close	Chg.
Nov	110.00	110.50	109.50	110.00	+0.50
Dec	110.00	110.50	109.50	110.00	+0.50
Jan	110.00	110.50	109.50	110.00	+0.50
Feb	110.00	110.50	109.50	110.00	+0.50
Mar	110.00	110.50	109.50	110.00	+0.50
Apr	110.00	110.50	109.50	110.00	+0.50
May	110.00	110.50	109.50	110.00	+0.50
Jun	110.00	110.50	109.50	110.00	+0.50
Jul	110.00	110.50	109.50	110.00	+0.50
Aug	110.00	110.50	109.50	110.00	+0.50
Sep	110.00	110.50	109.50	110.00	+0.50
Oct	110.00	110.50	109.50	110.00	+0.50

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Aug	110.00	110.50	109.50	110.00	+0.50
Sep	110.00	110.50	109.50	110.00	+0.50
Oct	110.00	110.50	109.50	110.00	+0.50

Month	Open	High	Low	Close	Chg.
Nov	110.00	110.50	109.50	110.00	+0.50
Dec	110.00	110.50	109.50	110.00	+0.50
Jan	110.00	110.50	109.50	110.00	+0.50
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Sep	110.00	110.50	109.50	110.00	+0.50
Oct	110.00	110.50	109.50	110.00	+0.50

-16	91.75	92.25	Dec		
-14	91.75	92.25	Nov		
+35	90.25	90.25	Nov		
-50	Est. Sales	14 Prev. Sales	1,355	off 21	
	Prev. Day Open	in	1,355	off 21	
	EURODOLARS (IMM)				
	(\$1 million lots of 100 p.c.)				
	92.00	92.00	Dec	91.51	91.51
	91.57	91.57	Nov	91.47	91.48
+0.02	91.57	91.57	Nov	91.12	91.12
+0.02	91.54	91.54	Sep	90.77	90.78
-0.01	90.53	90.53	Dec	90.45	90.46

Creditor Banks in Japan Offer Sanko New Loans

Reuters
TOKYO — Japanese creditor banks of Sanko Steamship Co. have agreed to supply 20 billion yen (\$93 million) in new loans to the company, banking sources said Monday. Sanko sought court protection in August with debts of 520 billion yen.

Daiva Bank Ltd., Tokai Bank Ltd. and Long-Term Credit Bank of Japan Ltd. will extend the loans, part of about 31 billion yen that Mitsubishi Bank, appointed by Tokyo district court to handle the company's affairs, estimated it needs by the end of its business year on March 31.

On Sunday, the Japanese economic daily Nihon Keizai said Mr. Miyata believed that Sanko could survive even if it receives no loans from trading houses that are involved with it.

Banking and trading-house sources said Mr. Miyata would probably present his report to Tokyo district court by the end of October. After receiving the report, the court will start full hearings and later will decide whether to appoint a receiver to reconstruct the company or to order its liquidation.

Bank officials earlier had said they were writing off a major part of outstanding loans to Sanko, an estimated 233 billion yen, by the end of the first half on Sept. 30.

But nine Japanese trading houses that financed construction of about 100 energy-saving bulk carriers for Sanko refused to extend new loans of about 11 billion yen to Sanko that Mr. Miyata had requested.

Orders Decline

Foreign shipbuilding orders received by Japanese yards in September fell to 50,460 gross tons for seven ships, from 395,000 for 16 ships in August and from 203,050 for six ships in September 1984, the Japan Ship Exporters Association reported Monday.

The decline in orders since August means the backlog at the end of September of foreign orders at Japanese yards was 7.63 million gross tons for 310 ships, a decline from 7.82 million gross tons for 318 ships at the end of August and 11.88 million for 539 ships a year earlier.

The lowest foreign-order backlog in the past 10 years was 4.5 million gross tons for 231 ships at the end of April 1979.

Chinese orders so far this year total only 6.2 million gross tons because of congestion in Chinese ports, the industry sources said. The congestion means China is unlikely to increase orders this year and orders next year could fall to about 6 million tons, they said.

Chrysler Workers in Canada Vote To End Strike Over New Contract

Compiled by Our Staff From Dispatches
TORONTO — Chrysler Corp. workers in Canada voted Monday to end a strike and accept a contract their union leader hoped would help settle a walkout by 70,000 U.S. Chrysler employees.

Robert White, leader of the Canadian United Auto Workers who pulled his members out of the Detroit-based UAW, said the 23-month pact, reached after he returned from a private meeting in New York with Chrysler's chairman, Lee A. Iacocca, was historic because it marked the first time a major U.S.-based automaker had settled first with Canadian workers.

"It shows that the companies, contrary to their response when we first made the decision to go our separate way, have accepted our new national union," Mr. White said.

The pact brings 10,400 Canadian Chrysler workers to parity with those at General Motors of Canada Ltd. and Ford Motor Co. of Canada Ltd., raising hourly earnings to \$11.12 by the Sept. 15, 1987, expiry from about \$10 under a contract that expired when the strike began last Tuesday night.

But Chrysler officials said resumed Canadian production will be in danger of curtailment if there were no U.S. settlement, because the assembly plants in Canada require parts from the United States.

(UPI, LAT, Reuters)

Daimler's Plan to Buy AEG Reflects Hopes of Diversifying

New York Times Service

BERLIN — Last week's announcement by Daimler-Benz AG that it had bought 24.9 percent of AEG AG and would seek control of the electronics company is the latest step in a diversification program to reduce its dependence on automotive products.

The AEG takeover bid marks the third major move in recent months to put Daimler-Benz in the field of high technology and to assure future growth despite sluggish sales of its Mercedes cars and trucks.

In March, Daimler-Benz announced that it was buying a majority stake in Dornier GmbH, an aerospace company, and in May it said it would acquire control of Motoren und Turbinen Union GmbH, a maker of aircraft engines. Similar moves into high technology have been made by American auto companies, with General Motors Corp. buying Hughes Aircraft and Chrysler Corp. buying Gulfstream Aerospace.

Werner Breitschwerdt, Daimler's chairman, said at a news conference: "Behind this qualitative leap into new technology fields is the aim of opening additional, long-term perspectives for Daimler-Benz and thereby securing the future of our firm."

He also mentioned the potential effect of the combined efforts of Daimler-Benz, MTU, Dornier and AEG in areas such as electronics, automation, transport technologies and space and air travel.

On Thursday, Mr. Breitschwerdt was quoted in Wirtschaftswoche, a business weekly, as saying that Daimler was interested in high technology and not in diversification at any price. While some analysts have suggested that Daimler could sell AEG's ailing office equipment and household appliance units, Mr. Breitschwerdt indicated that the office equipment unit in particular might be strengthened instead to become a major competitor in the communications sector.

AEG entered composition proceedings—similar to a reorganization in the United States under Chapter 11 of the bankruptcy code—in August 1982 with debt of \$3.5 billion.

The electronics giant, which ranked second behind Siemens in West Germany at the time, had suffered from competition and mismanagement since the mid-1970s.

Under the leadership of Heinz Dürr, who became chairman in 1979, the company tried to achieve a turnaround by selling many units, shaping others into joint ventures

with healthier companies and strengthening its hold in advanced technologies.

Still, by the end of 1983 AEG had a broad base of products including turbine engines; industrial and marine electrical systems; railway power systems; radio, radar and communications systems; portable and electronic typewriters under the Olympia name, and domestic appliances.

The company did not emerge from the proceedings until September 1984. In doing so, it was helped by a 24-bank consortium that absorbed debt of \$342.3 million. The banks agreed to convert that debt into a line of credit.

AEG earned \$38 million last year on revenues of \$4 billion.

West German financial experts tend to favor Daimler-Benz's expansion as appropriate for a cash-rich company in an industry that has not found the cyclical recovery it sought.

Mercedes automobiles continue to sell well, with high profit margins in the United States. But truck sales, once 50 percent of Daimler's business, remain in a slump.

Daimler-Benz is one of the world's largest automotive manufacturers in terms of sales, largely because its cars, trucks, buses and tractors sell at a high price, but it has only a small part of the market in terms of vehicles sold.

After the takeover of AEG, Daimler-Benz's annual sales would total about \$23 billion.

Cluett, Peabody Resists Takeover

Reuters
NEW YORK — Cluett, Peabody & Co. said Monday that its board had rejected the tender offer of \$40 a share made by Paul A. Bilzerian and CPC Acquisition Co. It announced a competing exchange offer valued at an indicated \$128.6 million to defend itself.

The apparel company said it would exchange up to 2,222,222 of its common shares for a package of cash and securities comprising \$11.25 cash, a share of \$1.63 cumulative sinking fund preferred stock and \$45 principal amount of 4.65-percent 10-year discount subordinated notes.

Henry H. Henley Jr., the chairman, said in a letter to shareholders that the exchange offer was designed to give them the chance to receive a premium over market value but still hold a significant portion of their equity interest. The company offer expires Nov. 18.

Beatrice Board Rejects \$4.9-Billion Leveraged Buyout Bid

By Steven Greenhouse
New York Times Service

CHICAGO — The board of Beatrice Cos. has unanimously rejected a \$4.9-billion acquisition bid from Kohlberg, Kravis, Roberts & Co., the leveraged buyout specialists.

After a meeting Sunday, Beatrice directors concluded that the \$45-a-share offer, which was made last Wednesday, was "inadequate and not in the best interests of Beatrice shareholders," the company said.

The Chicago-based food and consumer products company said it believed the best way to achieve value for the shareholders "was not through a leveraged buyout or any other type of buyout at this time."

According to Wall Street sources, several Beatrice executives sought to put together their own buyout offer after Kohlberg, Kravis had made its bid. The Beatrice insiders were said to be working with Goldman, Sachs & Co., the Wall Street investment house, to assemble their bid.

Sources close to both sides said the Beatrice board's statement rejected any efforts by Beatrice officials to put together their own bid.

The board said Beatrice should remain independent, continue to develop its brands and proceed with its restructuring—which includes selling some non-food operations and its Avis car-rental operations.

A successful Kohlberg, Kravis bid would have represented the largest leveraged buyout in history.

In a leveraged buyout, an investment group typically finances the acquisition of a company's outstanding shares with borrowed money, using a company's anticipated earnings, or liquidation proceeds, as collateral.

Some Wall Street sources said they doubted that the Beatrice board's move would cause Kohlberg, Kravis to give up. It could sweeten its bid, which was \$40 cash and \$5 in preferred shares for each common share, or make a tender offer directly to shareholders.

In recent weeks, the share price of Beatrice had risen \$10. It closed

on Friday on the New York Stock Exchange at \$46.125.

Investment analysts said Beatrice was an attractive target. Even though many of its operations do not mesh well, Beatrice has many strong brand names: Hunt tomato sauce, Wesson vegetable oil, Peter Pan peanut butter, Tropicana orange juice, Playtex apparel and Samsonite luggage.

What is more, Beatrice has the Hunt-Wesson distribution network, which it acquired last year in its purchase of Esmark Inc.

Some Wall Street sources say Beatrice is an easy takeover target because its performance should be easy to improve, while others see the chance to make money quickly by selling off some of its pieces.

COMPANY NOTES

British Petroleum Co. is arranging \$1.5 billion of seven-year committed lines of credit and about \$5 billion of seven-year uncommitted lines of credit, a company official said. The financing program will replace an existing credit.

Dresdner Bank AG said it expects record net profit in 1985. A management board spokesman declined to give figures but said the earnings improvement would be achieved despite a slight decline in the bank's interest margin to the current 2.6 percent from an average 2.7 percent in 1984.

Eastman Kodak Co. is seeking a listing on the foreign stock section of the Tokyo Stock Exchange. A Kodak board meeting in early November is expected to endorse a listing plan before the company formally applies for Japanese authorities' approval.

FAG Kugelfischer KGaA's subscription period for shares was closed Monday on the first day after very strong demand, according to the underwriter, Bayerische Vereinsbank. The company was offering 80 million Deutsche marks (\$30.4 million) of its 165-million-DM capital to the public.

Japan Leasing Corp., leading a Japanese consortium, has signed an agreement with Siderurgia Nacional de Portugal to update a steel plant near Lisbon. Siderurgia will buy the plant and equipment the consortium will install for 30.9 billion yen (\$144 million).

The Limited Inc. women's apparel chain will acquire Henri Bendel, a New York clothing store, for an undisclosed amount. Limited's chairman, Leslie Wexner, said he would consider expanding Bendel from its single store and expanding its mail-order business.

MCI Communications Corp. has signed a definitive agreement with International Business Machines Corp. to buy IBM's satellite systems unit. IBM will sell the unit and make \$400 million in investments in MCI between Sept. 1, 1986, and Dec. 31, 1988, in return for 16.6 percent of MCI's outstanding stock.

Mostek Malaysia BHD said it is

unlikely to shut its Penang plant for several months despite the decision by its parent, United Technologies Corp., to close all Mostek operations. The Malaysian company said existing commitments necessitated a gradual shutdown.

Prime Computer Inc. has introduced the new 7655 super-mini-computer, which it said has 50 percent more processing power than the predecessor 2550 at the same price, \$90,500. The computer has four million characters of memory.

Procter & Gamble Co. said the waiting period for its cash offer for Richardson-Vicks Inc. common stock expired Friday without a second request for information by the Federal Trade Commission. The offer is scheduled to expire Nov. 1.

Renault workers at the company's Billancourt plant near Paris returned to work Monday, ending a 12-day strike. Billancourt was the last of the government-owned group's plants to resume production after the strike, protesting a cut in year-end bonus payments.

Sumitomo Metal Industries Ltd. of Japan has signed a contract to help improve productivity at the Taiyuan Iron & Steel Corp. mill in China's Shanxi province. The contract value was not given.

Toshiba Corp. will start mass production of one-megabit dynamic random access memory chips next year.

Bristol-Myers Reports 12% Increase in Net

Reuters
NEW YORK — Bristol-Myers Co. said Monday its third-quarter earnings rose 12 percent to \$149.9 million, or \$1.09 a share, from \$133.6 million, or 98 cents a share, a year earlier. Sales rose 10 percent to \$1.17 billion from \$1.06 billion.

For the first nine months, the company's net increased 13 percent to \$400.5 million, or \$2.91 a share, from \$354.7 million, or \$2.59 a share, a year earlier. Sales rose 5 percent to \$3.33 billion from \$3.17 billion.

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Représentant en France: Les Filles de France

Monday's AMEX Closing

Tables include the nationwide prices up to the closing in Wall Street and do not reflect late trades elsewhere.

via The Associated Press

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00

12 Month High	Low	Stock	Div.	Yld.	PE	12 Month High	Low	Stock	Div.	Yld.	PE
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00
10.00	9.00	ADN	0.00	0.00	0.00	10.00	9.00	ADN	0.00	0.00	0.00

AMEX High-Lows

NEW HIGHS

NEW LOWS

Floating-Rate Notes

Oct. 21

Dollar

Issuer/Note

Amount

Rate

Term

Yield

Price

Spread

Rating

Comments

Notes

Details

Summary

Analysis

Conclusion

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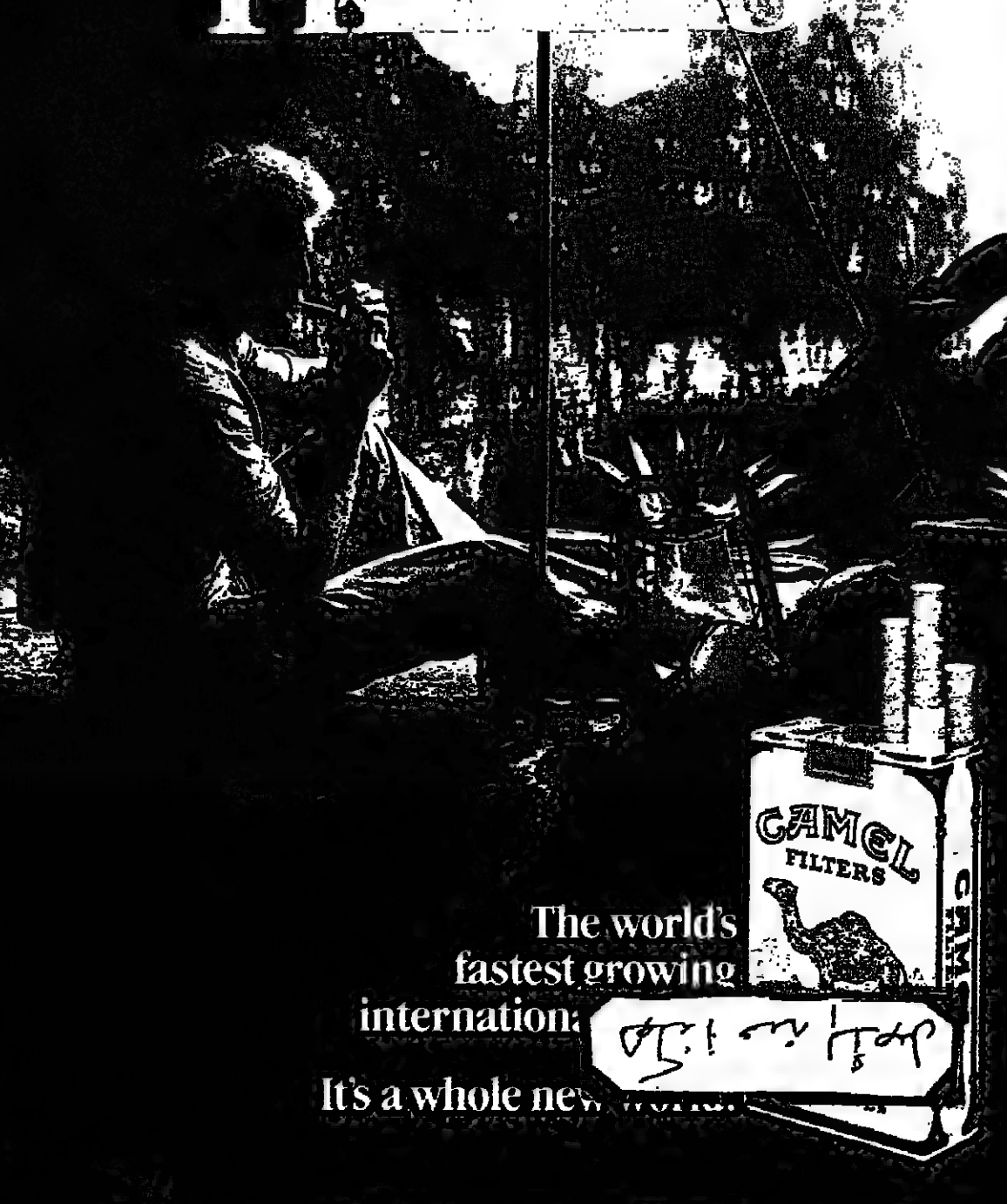
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CURRENCY MARKETS

Dollar Lower in Quiet European Trading

The Associated Press

LONDON — The dollar edged lower Monday in Europe against most major currencies as the threat of central bank intervention continued to hang over the market.

Currency dealers said strong corporate demand for dollars could not lift the currency because traders feared a repeat of last week's substantial dollar sales by the Bank of Japan, the West German Bundesbank and the U.S. Federal Reserve System. Finance officials of Japan, France, Germany, West Germany and Japan agreed on Sept. 22 to act together to depress the dollar to reduce the U.S. trade deficit.

There were no reports of intervention Monday. Although the dealers would not rule out a further decline in the dollar, they said the market was not bearish on the currency. In the long run, central bank intervention cannot hold the dollar down, many dealers said.

In London, the dollar recovered from early lows to close around Friday's finishing levels after a thin trading session.

Dealers said that attempts to test new lows in the morning failed and that there was some retracing later in the day. The dollar touched a day's low of 2.6140 Deutsche marks before closing at 2.6350

DM, almost unchanged from Friday's 2.6348 DM.

Operators were looking toward the next U.S. economic indicators, consumer prices and durable goods, due out Wednesday.

The pound closed Monday in London at \$1.4345, after Friday's close of \$1.428.

In other trading Monday, the dollar was fixed at 2.6311 DM in Frankfurt, down from 2.6349 Friday, at 8.029 French francs in Paris, down from 8.04, and at 1,779.45 lire in Milan, down from 1,779.45.

The dollar closed at 2.1628 Swiss francs in Zurich, down from Friday's 2.1660, and at 214.30 yen in Tokyo, down from 215.45.

THE EUROMARKETS

2 Canadian-Dollar Bonds Are Launched

By Christopher Pizzev

Reuters

LONDON — Most sectors of the Eurobond market ended little changed Monday after a quiet day's trading in which few new factors emerged, dealers said.

The primary market was subdued, although a couple of Canadian-dollar bonds and a \$125-million floating-rate note did emerge during the day, dealers added.

The floating-rate note was for MCorp Financial Inc., a multiple-

bank holding company based in Texas. The issue was launched using the mismatch formula, although there is protection for the investor should the yield curve invert.

The 12-year issue pays 4 1/2 percent over the six-month London interbank offered rate. The rate is re-indexed monthly but payable semi-annually. However, if one-month LIBOR exceeds six-month LIBOR, interest will be paid at LIBOR for the remainder of the interest period.

Credit Suisse First Boston Ltd. was the lead manager and quoted the note at 99-58, just outside the 40-basis-point selling concession.

On the secondary market, prices edged fractionally harder in quiet overall trading with interest again noted in perpetuals.

The Canadian-dollar sector saw two new issues, the first being a 75-million-Canadian-dollar bond for Bank of Montreal Realty Inc., guaranteed by the Bank of Montreal, paying 10 1/2 percent over seven years and priced at par.

The other issue was a 50-million-Canadian-dollar bond for Montreal Trustco Inc. that pays 11 percent and was priced at 100 1/2. The five-year bond was lead managed by Ordo Royal Bank Ltd.

France Reports Provisional Increase Of 3.1% in Its Industrial Production

Reuters

PARIS — French industrial production rose a provisional 3.1 percent in the July/August period on a seasonally adjusted basis, after a confirmed 1.5-percent decline in June, the national statistics institute, INSEE, reported Monday.

The figures, which exclude construction and public works, put the July/August index at 135, up from 131 for June. The index was 134 in July/August 1984.

In the year to the end of August, industrial production rose 0.8 percent, unchanged from the year to June.

INSEE always groups July and August figures for industrial production because of the sharp drop in activity in the summer vacation months.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Pat Interstate Bkcs			
3rd Qtr.	1985	1984	1983
Revenue	80.85	75.35	141.19
Net Inc.	1.70	1.70	1.70
Per Share	1.70	1.70	1.70
3rd Qtr.	1985	1984	1983
Revenue	282.50	201.50	422.50
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
Illinois Tool Works			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
Inland Steel			
3rd Qtr.	1985	1984	1983
Revenue	77.75	77.75	77.75
Net Inc.	2.50	2.50	2.50
Per Share	2.50	2.50	2.50
3rd Qtr.	1985	1984	1983
Revenue	25.00	25.00	25.00
Net Inc.	2.50	2.50	2.50
Per Share	2.50	2.50	2.50
Kimberly-Clark			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
Norwest			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
Olin			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
Pamco			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
RCA			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
Schering-Plough			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20
Monsanto			
3rd Qtr.	1985	1984	1983
Revenue	12.15	12.15	12.15
Net Inc.	1.25	1.25	1.25
Per Share	1.25	1.25	1.25
3rd Qtr.	1985	1984	1983
Revenue	42.25	42.25	42.25
Net Inc.	4.20	4.20	4.20
Per Share	4.20	4.20	4.20

Sears' Commitment to World Trade

(Continued from Page 9)

Mr. Carlucci, a former U.S. ambassador to Portugal, was deputy secretary of defense in the early days of the Reagan administration and deputy director of the Central Intelligence Agency under President Jimmy Carter. Along with the subsidiary's president, Charles F. Moran, who has been instrumental in developing corporate strategy, and Mr. Jones, Mr. Carlucci has overseen the trading company's restructuring.

The subsidiary should trade on Sears' strength, Mr. Carlucci said. Through its contracts with worldwide manufacturers who make products for Sears, the company "has a unique sourcing capability, a very large physical distribution system and an unparalleled skill in designing and developing a product," he said.

Mr. Carlucci bristled at the description of Sears World as a trading company. "It is a bit of a misnomer. It conjures up a bunch of people sitting around a table saying 'I'll sell you this at \$20.' No, I'll bid \$22."

Rather, he said, "We're in the process of structuring long-term relationships between buyer and seller where we would bring our technical and physical skills to bear. That's very different than a traditional image of a trading company."

Mr. Carlucci declined to name the specific companies doing business with Sears World. But he gave examples of the types of projects under way.

For the past three years, for instance, Sears World has been handling all of the imports for a U.S. company that sells athletic footwear. Venture capital for the same company was provided by Sears World's sister firm, Allstate Insurance Co. and Dean Witter Financial Services Group.

The trading arm then supplied a letter of credit for financing and import services, including cargo management, document handling, custom clearance and warehousing. Sears says the company, which it does not identify, is now one of the fastest-growing shoe companies in the country.

In another example, a Sears World electronics engineer, observ-

3d-Period Profit Down 18%

Reuters

CHICAGO — Sears, Roebuck & Co. reported lower third-quarter earnings on Monday and said the results reflected a deceleration in the growth of personal income and soft economic conditions.

The U.S. goods and services conglomerate reported quarterly earnings of \$262.2 million, or 71 cents a share, down 18 percent from \$321.9 million, or 88 cents a share, in the year-earlier quarter. Third-quarter sales rose 4 percent to \$10.04 billion from \$9.65 billion a year ago.

For the first nine months, Sears reported a 16-percent fall in net income, from \$891.7 million, or \$2.03 a share, in 1984, to \$247.4 million, or \$2.47 a share, a year earlier. Sales rose 4 percent to \$28.65 billion, from \$27.46 billion.

Sears said its Allstate Insurance Group had third-quarter earnings of \$128.9 million, down 39 percent from \$211.4 million a year earlier. Sales rose 13 percent to \$2.60 billion from \$2.31 billion last year.

Sears said its merchandise group had quarterly income of \$166.9 million, up 2 percent from \$163.8 million a year earlier. Sales rose 1 percent to \$6.50 billion from \$6.46 billion.

The company said its Dean Witter Financial Services Group incurred a third-quarter loss of \$7 million, compared with a loss of \$7.6 million in the year-earlier period. Group results included an after-tax loss of \$2.1 million related to introduction of the Discover card in September, Sears said. Sales rose 3 percent to \$679.4 million from \$659.4 million.

market for computer software, translated some programs into Japanese; the trading company's Tokyo office began distributing the product.

"The business, while currently small, is quickly growing," said a corporate memo detailing some case histories.

Although Sears World is focusing most of its attention on consumer goods, it also has been looking at other areas.

One of those areas involves trading light industrial goods, such as electrical and plumbing components and electronics. For example, Sears World has bought radio speakers for a large automotive company in the United States.

Sears World is also experimenting with importing processed food, such as tomato paste, canned tuna and pineapple, and selling it to food brokers in the United States under a Sears World label.

"There are a lot of small brokers out there," Mr. Carlucci said. As more food is purchased from abroad, there will be a need for someone to provide economies of scale, "so we would expect that area to grow."

Despite its reduction in scope,

Sears World is not yet profitable, having lost \$4.9 million on revenue of \$105 million in the first half of 1985. Although the loss was less than half the \$10.1-million loss in the first six months of 1984, many financial analysts, especially those who follow retailing companies, are still very skeptical of Sears World.

"I think they're klutzes," said Edward Weller of E.F. Hutton Group Inc. "I don't know why they want to be in the business."

"I hope it's going to go away," said Walter F. Loeb of Morgan Stanley & Co. "It should be an adjunct to the merchandising group, not a separate entity... which is fraught with a lot of politics. I'm not sure that politics is what Sears understands."

International trade experts, on the other hand, praise Sears for its ambitious efforts.

"This is one of the first retailing companies this country has," said Ray A. Goldberg, a professor of agriculture and business at Harvard Graduate School of Business. "This is good for Sears and the country as a whole."

"Despite their losses, it's not too optimistic to expect them to be in the black next year."

Elders of Australia Offers £1.8 Billion for Allied-Lyons

(Continued from Page 9)

Co., described the performance of Allied management as "awful."

He said Elders would seek buyers for Allied's food division, which includes Baskin-Robbins ice cream, tea, coffee, cakes and cookies. A sale of the division, which accounts for about a third of Allied's sales, would reduce debt. Some analysts warned, however, that Elders would be under pressure to unload the food interests quickly, making it difficult to obtain full prices.

Elders said it would keep the brewing, wines and spirits businesses. But it would seek to sell 50 percent stakes in Allied's 7,000 British pubs to the publicans who run them, further reducing debt. Mr. Elliott argued that Allied's

management needs to be pruned and made more accountable to the top executives. The present organization, which includes about 100 managing directors, is "a recipe for the people at the top not really knowing what's going on," he said.

Allied dismissed the criticisms as "ignorant jibes." Analysts credit Allied with improving its management but say the company still lags behind the top performers in British brewing. Allied's share of the British beer market is about 14 percent, down from 15 percent in 1980 but above lows reached several years ago, Grisevson's Mr. Spicer said.

The company's profit margins on beer are around 9 percent, compared with 13 percent at Bass PLC and Whitbread & Co., two other big British brewers.

Monday's OTC Prices

NASDAQ prices as of 3 p.m. New York time. Via The Associated Press

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12 Month High Low Stock Div. Yld.

ART BUCHWALD

Snubbing Charles and Di

WASHINGTON — Everyone in Washington is talking about the visit of Prince Charles and Princess Di in November. Most people are behaving like idiots trying to wangle an invitation to one of the glittery affairs. I'm happy to report my wife and I couldn't care less.

"I never was big for royalty," I said to her as we were out of the fireplace. "Me neither. If you've seen one prince of Wales you've seen them all."

"The thing to do is not answer the phone for the next two weeks. Then if Buckingham Palace calls we can always say we were out."

"Suppose they deliver the invitation by hand? I saw a wigged footman in the neighborhood yesterday. He was only two blocks away."

"Don't open the door. Once royalty serves you with an invitation you have to go."

"I don't know why the girls who patronize my beauty parlor are making such a fuss," my wife said. "After all the prince and princess are just like any young married couple having marital trouble."

"How do you know they're having marital problems?"

"I read in People magazine that Charles and Di aren't getting along. She keeps going out until 4 in the morning and he keeps falling off his horse. They say that Di has fired all of Charles's servants as well as his private secretary."

"That's what you call tough love," I said.

"What makes it even worse is Di has cut off the prince's contact with all his friends from his bachelor days, and will not allow him to see any of his old girlfriends."

"Why would a wife do that?"

"She's very headstrong. She's not the shy virgin we saw being married on TV by Barbara Walters."

"You never know what is going on behind closed doors."

"It wasn't behind closed doors. It was in Vanity Fair."

"What did they say about the prince besides the fact he keeps falling off his horse?"

"He's lonely and bored. The reason is that his mother won't give him anything to do. Queen Elizabeth is keeping a tight rein on the throne. The prince has no duties and seems to be out of it."

"I'm glad we're not going to any of the parties because we wouldn't have anything to discuss with him," I said.

"You're not supposed to talk to royalty unless they talk to you first," she told me.

"Where did you hear that?"

"I read it in Miss Manners's column."

"Well if you can't talk to them, what's the big deal about getting invited to a party?"

"The National Enquirer said that although you can't talk, you can stare at them," my wife said.

"Why do people kill to go to that kind of bash?"

"I guess it's just to say they've been there."

"Are you sorry you weren't invited?" I asked her.

"Of course not. What woman wants to go to the trouble of buying a brand-new evening gown and silver shoes just to meet the next king of England, when she can stay home in her bathrobe and watch 'Dynasty' on TV?"

"That is exactly the way I feel. Let other people fight for two chairs when they go shopping at J.C. Penney's. I'd rather have two seats to a Redskins game. 'Did the mail come today?' I asked."

"Yes, it's over there."

"Anything in it?"

"Not really."

"I peeked out the window. 'Maybe the British Embassy doesn't know where we live.'"

Downing Street Diarist: An Insider's Portrait of Churchill

By William Manchester

WORLD WAR II was barely a month old on Oct. 3, 1939, when "Dick," later to become Sir John Colville, then a 24-year-old civil servant in the Foreign Office, was appointed private secretary to the prime minister at No. 10 Downing Street. Neville Chamberlain was in residence at the time, but seven months later the House of Commons turned to Winston Churchill.

A new book, "The Fringes of Power," (Norton, \$25), Colville's "10 Downing Street Diaries," is largely Churchill's story. Except for brief periods (including D-Day) when Colville braved the prime minister's wrath and flew as a Royal Air Force fighter pilot, he was almost constantly at Churchill's side.

Written with precision and clarity, "The Fringes of Power" is a treasure for scholars and, for the general reader, a compelling narrative. A wartime rule forbade the keeping of written personal records, but Colville was a compulsive diarist. So he kept the accumulating volumes of his diary in a safe place at No. 10. This is an abridged version of the original, still under seal at Churchill College, Cambridge.

This diarist was no fringe spectator. He was in the cockpit of action, a trustee of delicate confidences, and as time wore on he became a man of sound judgment whose suggestions were weighed and often adopted. At Trinity College, Cambridge, he had been awarded first-class honors in history, and his subsequent performance in the Middle East as a junior diplomat had been brilliant. He found diversion in Milton, Keats, Shelley, Byron, Lord Chesterfield and Lord Rosseter's essays, and like Churchill he enjoyed Trollope.

In the 1930s the privileged class still dominated His Majesty's governments; Colville met every paragon of the aristocracy. He was a Harrovian, the cousin of a viscount; he opened each morning with a brisk gallop through Richmond Park and lunch at the Travellers, White's or the Turf; his grandfather had been a friend of Churchill's father; he was a frequent guest of Queen Mary, whose close friend and lady-in-waiting was Colville's mother.



By David The Washington Post

For any diarist who hopes that his work will live, discretion lights the way to dusty death. Like Boswell, Colville never hesitated to set down rumors, gossip, his own prejudices and his judgments of others, which he later found unreliable. He described Harold Macmillan as "finicky and probably a little insouciant." Duncan Sandys was "an opportunist." "The Fringes of Power" is dedicated to Lady Soames, Churchill's daughter Mary; when he first met her she struck him as "rather superficial."

Of Mary's mother, the formidable Clementine, he noted: "We talked a good deal of politics, about which her views are as ill-judged as they are decisive." Colville had been an enthusiastic supporter of appeasement (later Churchill would taunt him as a "Munichist") and even after the outbreak of war he had deployed a government white paper on German concentration camps, calling it a "sordid document calculated to appeal to people's lowest instincts." After all, most of the evidence is produced from prejudiced sources, and it is in any case undesirable to arouse passions.

During the "Bore War" of the winter of 1939-40 he acknowledged that Churchill was "the only man in the country who

commands anything like universal respect" and would probably become prime minister before the war's end, but added that "judging from his untrustworthiness and instability, he may, in that case, lead us into the most dangerous paths." When King George VI (who shared such doubts) handed Churchill the seals of office, Colville quoted R.A. Butler as saying the post had been "sold to the greatest adventurer in modern political history... a half-breed American."

However, once the new prime minister had rallied the dispirited, defeatist country, Churchill's conquest of Colville's heart began. Nine months later, the diarist wrote of Churchill: "It is an interesting spotlight on No. 10 last winter that he should have been regarded with such dislike and distrust." By then Colville had been all but adopted by the Churchill family. He frequently dined with them, and was privy to family secrets and familial celebrations.

Throughout the war, Churchill went about heavily armed. Colville describes how, puffing on a cigar, he fired his revolver and Mannlicher rifle at ranges up to 300 yards, and "despite his age, size, and lack of practice, he acquitted himself... with commendable accuracy." While England stood alone, he thought that everyone in the nation should share his belligerent conviction that "A Hun alive is a war in prospect."

Learning at dinner that Adolf Hitler had poisoned his dog, murdered his wife and killed himself, and that his corpse lay in his ruined Reichskanzlei garden, enveloped in flames, Churchill reflected for a moment and remarked: "Well, I must say he was perfectly right to die like that."

In the hands of gifted men, diaries may approach the level of literature. Perhaps nothing written about the fall of France in 1940 is so gripping as Colville's entries between May 10, when Churchill became prime minister as the German Wehrmacht knifed through Belgium and Holland into France, and May 31, when Colville wrote of Dunkirk: "One of the world's greatest defeats is being redeemed by an outstanding achievement of... gallantry." The accounts he set down

during those three weeks are often inaccurate. Frequently they omit key developments. "But that was all that anyone in England knew at the time." And it is this which gives them their extraordinary sense of immediacy.

Colville portrays Churchill as an incomparable fighter, generous to the conquered but inconsiderate of his staff, a user of men who discarded them without a thought, incapable of apologizing though charming those he had hurt, ruthless—even cruel—yet a statesman of soaring vision.

England and its allies defeated the Axis powers, but the Churchillians lost the empire. His knell had tolled from time to time during the war, and Colville reveals that Churchill had not been deaf to it. As early as Jan. 16, 1940, a diary entry reads: "For some reason no subject is more boring to the average Englishman than the British Empire." On Aug. 30, 1941, Churchill learned that the Spitfires and Hawker Hurricanes that had won the Battle of Britain were piloted by students from state schools, not schoolboys from the elite private schools, he said. "They have saved this country; they have the right to rule it." And on another occasion he told Colville he was reconciled to a postwar Labor government.

In fact, he could never face a defeat with equanimity, and as the general election of 1945 loomed he once more became the old party warhorse. By then his place in history was assured, however, and his sense of humor kept him buoyant until the terrible depression of his last years. At the last, when he told Colville his death was imminent, he added that "he could not help wondering whether the government above might not be a constitutional monarchy." If so, he said, the Almighty might "send for him" and ask him to form a government. He relished the prospect.

William Manchester, who is writing the second volume of "The Last Lion," a two-volume biography of Winston Churchill, is adjunct professor of history and writer-in-residence at Wesleyan University. This is excerpted from an article he wrote for The Washington Post.

PEOPLE

Bologna Theater to Drop Lyubimov as Director

Yuri Lyubimov will not be kept as head of Bologna's Arena del Sole theater, its owners announced Sunday. The Emilia Romagna theater association said a "mutual lack of confidence" had led them not to renew Lyubimov's contract. The director, 68, called the group "an association of bureaucrats exactly like those of the Soviet Union," and said their management "knows nothing about theater." He still plans to stage a play by Pushkin at the Arena del Sole next week, as scheduled. Lyubimov founded the Moscow's Taganka theater in 1964, after a dispute with Soviet drama chiefs, and was dismissed from there in March 1984. He was subsequently stripped of Soviet citizenship. Lyubimov has been living in the West since 1983, but never asked for political asylum.

Stanislaw Babin, 19, was awarded first prize by an international jury Saturday in the 11th Chopin international piano competition in Warsaw. Babin, a second-year student at the Peter Tchaikovsky conservatory in Moscow, is the first Soviet pianist to win the prestigious contest for young pianists since the 4th Chopin competition in 1949, when the first prize was shared by a Russian and a Pole, Marc Laroche, 19, a student at the Conservatoire National Supérieur de Musique in Paris, was second and Krzysztof Jablonski, 20, a third-year student at the Karol Szymanowski academy of music in Katowice, Poland, was third. About 120 pianists from 17 to 28 years old entered the competition, which began Oct. 2. The competition is held every five years in Warsaw.

Nancy Reagan returned to Broadway on Sunday, singing on stage with her old friend Mary Martin during a celebrity-filled tribute to the actress. "Singing up there in that town and watching all these professional singers doesn't make this easy," Mrs. Reagan said before joining Martin in a number from "Lute Song," a Broadway musical in which they performed together in 1946. "I don't go around the White House singing," she said. The first lady's appearance at the Shubert Theater was the finale of a benefit for the Theater Collection of the Museum of the City of New York.

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